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WEST EUROPE

Sino-West European Relations After Tiananmen

93CM0484A Beijing XIANDAI GUOJI GUANXI
[CONTEMPORARY INTERNATIONAL RELATIONS]
in Chinese No 45, 20 Jul 93 pp 1-4

[Article by Wu Jiuyi (6762 0046 2034): "Western European Relations with China: Status Quo and Prospects"]

[Text] I

While the "sanctions" imposed on China by the Western European nations in June 1989 complicated Sino-European relations for a time, Sino-European relations have gradually resumed and improved since October 1990, and are now essentially on a normal track and moving ahead.

An Overall Perspective:

1. High-Level Exchanges Are Steadily Resuming and Growing. The EC lifted in October 1990 its restriction suspending visits between senior officials, then lifted in July 1991 its restriction on top-level visits between heads of state. From November 1990 to May 1993, visits to China by Western European heads of state included ones by British Prime Minister Major, then Italian Premier Andreotti, Spanish Prime Minister Gonzalez, and Austrian Chancellor Vranitzky. Foreign ministers from countries such as Britain, France, Italy, Holland, Germany, Finland, and Portugal have also visited China. Meanwhile, Premier Li Peng, Vice Premiers Zhu Rongji, Zou Jiahua, and Tian Jiyun, and concurrently Vice Premier and Foreign Minister Qian Qichen have also visited Western Europe.

2. Business and Trade Relations Are Clearly Seeing New Developments. Since the EC lifted in October 1990 its ban prohibiting provision to China of development aid, export credits, and business loans, the Western European countries and the EC have resumed providing China with loans and development aid. The activities of the Business and Trade Mixed Committee of the Western European countries and the EC with China that had been suspended for a time have also resumed. The business and trade ministers of all Western European countries and the EC Implementation Committee vice chairmen have visited China as either heads of business delegations or individuals, and China has also sent three large purchasing groups to Europe. Sino-European trade is obviously growing. Economic Cooperation Organization data show that Sino-EC trade turnover was \$24.012 billion in 1991, up 26 percent from \$19.032 billion in 1990. This figure for the first three quarters of 1992 reached \$20.496 billion, up 17.7 percent over the same period in 1991. Western European investment in China is also growing, with incomplete statistics showing Western European investment in China at \$2.49 billion for 1990, with even sharper growth in 1992. Taking Germany for instance, China approved 130 German-invested enterprises in 1992, or more than the total for

the previous dozen years or so. China has also begun to invest in Western Europe, already running 60 enterprises in the 12 EC countries by the end of 1991, with a Chinese investment of \$26.78 million. In addition, certain new Sino-European economic accords have also been signed, such as the Sino-Austrian "Agreement To Prevent Double Tariffs," the Sino-Maltese "Ocean Shipping Accord," the Sino-French "Agreement on Maritime Cooperation," the Sino-Italian "Ten-Year Economic Cooperation Accord," the Sino-Portuguese and Sino-Spanish "Agreement on Investment Safeguards," and the Sino-Swiss "Pact on the Protection of Intellectual Property Rights."

3. Cultural, Educational, Scientific, and Technical Exchanges Are Continuing. All Western European countries have signed with China plans for new cultural, educational, and scientific exchanges, resuming the S&T Mixed Committee activities, and continuing bilateral S&T cooperation.

A Country-by-Country View:

1. The Southern European Countries Were the First To Resume and Improve Relations With China, Which Has Played a Positive Promotional Role in the EC. Italy: Then Italian Premier Andreotti visited China in 1991 and Premier Li Peng returned the visit in 1992, the first time a Chinese Premier had visited Western Europe since June 1989. When concurrently Vice Premier and Foreign Minister Qian Qichen visited Italy in May 1993, he was given a warm reception despite Italy's still uncompleted cabinet reorganization. Italy is China's second largest trading partner among the EC countries, with Sino-Italian trade in 1992 amounting to about \$3.5 billion, and approximately 100 Sino-Italian joint-venture enterprises with an overall investment of roughly \$300 million. Spain: Premier Li Peng and Vice Premiers Zou Jiahua and Tian Jiyun visited Spain in 1992, with Spanish Prime Minister Gonzalez returning the visit in 1993. The Spanish government has provided China with many mixed loans, providing \$450 million in 1991 and then adding an additional \$64 million, providing \$500 million in 1992 and then an additional \$320 million when Premier Li Peng visited, and signing a new loan agreement for \$600 million when the Spanish Prime Minister visited China in 1993. Sino-Spanish trade reached \$684 million in 1992, with seven Sino-Spanish joint-venture enterprises. Portugal: Premier Li Peng visited Portugal in 1992, and Portuguese Foreign Minister Brodz visited China in 1993. After the Portuguese Trade and Tourism Minister visited China in March 1993, the Portuguese Premier announced a \$200 million credit to encourage Portuguese enterprises to develop exports to and economic cooperation with China. Sino-Portuguese cooperation on the Macao issue is proceeding well. The First Session of China's Eighth NPC passed the Macao Special Administrative Region Basic Law in March 1993, and Portugal has expressed a willingness to intensify cooperation once Macao enters the transition period to ensure a stable transition and smooth handover of

political power in Macao. Portugal has emphasized the use of Macao to develop economic relations with China.

2. While Germany Set the Slowest Pace in Resuming and Improving Relations With China, It Has Begun To Speed Up This Pace Since the End of 1992, With Prospects for a High Ranking in the Future. German Foreign Minister Genscher visited China in October 1992, declaring that Sino-German relations had normalized. At the end of 1992, Germany's Federal Parliament lifted its "economic sanctions" on China. On 28 January 1993, the Federal Security Council refused to permit the sale of submarines to Taiwan. In March 1993, Federal Economics Minister Lakesel headed a special business delegation to China, signing nine contracts and letters of intent for \$1.2 billion. When concurrently Vice Premier and Foreign Minister Qian Qichen visited Germany in May, Germany reiterated its adherence to the "One China" policy, saying that it would not sell submarines to Taiwan, and expressing a willingness to focus its efforts on developing full Sino-German political, economic, and cultural relations, in order to elevate the relationship to a new level. Chancellor Kohl is planning a visit to China in 1993. Germany is China's largest trading partner in the EC. German statistics show Sino-German trade to have reached 17.4 billion marks in 1992, with German exports to China in 1992 up over 40 percent from 1991, and projections of sharp future growth in Sino-German trade. By the end of 1992, Germany had invested \$530 million in China, ranking first among the Western European countries, with most of its investment being in production and advanced-technology projects, involving 250 enterprises. In 1992, Germany gave China 130 million marks in financial aid and 45 million marks in technical aid.

3. Western Europe's Developed Countries, Including Those in Northern and Central Europe, Have Sharply Improved and Developed Relations With China. For instance: Since the Holland government refused to sell submarines to Taiwan, Sino-Holland relations have clearly improved. In 1992, Holland's Ministers of Economics, Foreign Affairs, and Foreign Trade visited China, and Vice Premier Zou Jiahua visited Holland. In 1993, concurrently Vice Premier and Foreign Minister Qian Qichen also visited Holland. Economic relations between our two countries are growing impressively. China's imports from Holland are growing faster than our imports from the EC. **Belgium** was the first country to provide government loans to China, providing China from 1980 to 1992 with 11 loans amounting to 3.443 billion Belgian francs. In 1993, with the support of Belgian Prince Arbay, Foreign Trade and European Affairs Minister Robert Urbain headed a delegation to China of over 60 companies. When Prince Arbay visited China, he signed the 12th loan agreement, providing China with a government loan worth 250 million Belgian francs. In 1991 Belgium took the lead in providing China with government discount loans, then in 1993 provided China's post and telecommunications industry with a discount loan worth \$633 million. Belgian data show

Sino-Belgian trade to have reached \$850 million in 1992. Belgium had invested in 34 projects in China by the end of 1992, with investments amounting to \$112 million, and Shanghai Bell and Xian Johnson being famous joint-venture enterprises.

Sweden has normalized relations with China. In November 1992, the Swedish government announced that it was refusing to sell Taiwan 200 JAS fighters worth \$6.5 billion. In 1992, Sino-Swedish trade reached a record \$690 million, with Swedish exports to China up 56 percent from 1991. On 6 October 1992, China's Great Wall rocket successfully launched Sweden's Frey Satellite. In 1992, Vice Premiers Tian Jiyun and Zhu Rongji visited Sweden. In 1993, concurrently Vice Premier and Foreign Minister Qian Qichen also visited Sweden, and Swedish Communications and Transportation Minister Mats Odell visited China. **Finland** makes more foreign loans to China than to any other country, having provided China since 1985 with concessional loans worth nearly \$260 million, or 40 percent of all such loans provided by Finland to developing countries. In 1993, it signed two further concessional loan agreements amounting to \$27.2 million. Sino-Finnish trade has grown steadily in recent years, with mutual high-level bilateral exchanges. In 1992, Finland's President with his wife and the Finnish Minister of Foreign Affairs both visited China, and Premier Li Peng and Vice Premiers Tian Jiyun and Zhu Rongji also visited Finland. **Denmark** was visited in 1992 by Vice Premiers Tian Jiyun and Zhu Rongji, with Ms Anne Birgitte Lundholt, Danish Minister of Industry and Energy, also visiting China. Danish statistics show Sino-Danish trade at \$219 million in 1992, up 6.2 percent from 1991. There are now about 20 Sino-Danish joint ventures, with an agreed investment of \$45.25 million.

Chancellor Vranitzky of **Austria** was the first Austrian chancellor to visit China, in April 1993, in the 22 years of Sino-Austrian diplomatic relations, as well as the first Austrian chancellor to visit China in the century-plus of Sino-Austrian relations. On his visit to China, he signed an agreement to provide China with a third government loan worth about 1 billion Austrian schillings (\$85 million). Chinese customs figures show Sino-Austrian trade at \$390 million in 1992. **Switzerland** provided China in August 1991 with a third loan worth 110 million Swiss francs. Switzerland had invested by March 1992 in 48 Chinese projects, with an agreed amount of over 200 million Swiss francs. In 1992, Switzerland's chief of the Department of Public Economy visited China, and Premier Li Peng visited Switzerland.

4. While Britain and France Resumed Relations with China Sooner, Bilateral Relations Have Experienced Troubles or Clouds. France's Socialist Party government rejected China's repeated warnings, approving in January 1993 the sale to Taiwan of 60 Mirage 2000-5 fighters, which had an impact on Sino-French political and economic relations. The Chinese government announced measures, such as the closure of the French Consulate General in Guangzhou, the exclusion of French companies from the Guangzhou

subway and Guangdong's second nuclear power plant plans, and a ban on the import of French wheat. Sino-French trade was \$2.26 billion in 1992, down almost 2 percent from 1991, and continued to fall. Since the new Pelletier administration took office, it has maintained its contract for the sale of fighters to Taiwan, while expressing a willingness to improve relations with China. French Civil Parliament Diplomatic Committee President and former French President Destanson has visited China to make contacts. Britain resumed relations with China earlier. In 1991, British Prime Minister Major was the first Western European head of state to visit China. While Sino-British cooperation over Hong Kong had been going well, Hong Kong Governor Patten suddenly trotted out in October 1992 an "administrative reform plan" with "three violations" (violations of the Sino-British Joint Declaration, the Hong Kong Special Administrative Region Basic Law, and the Sino-British accords and understandings reached through diplomatic means). Confronted with the Chinese government's natural opposition to this, Britain agreed to deal with China on the basis of the "three principles" (on the basis of the Sino-British Joint Declaration, in line with the Basic Law, and based on the pertinent Sino-British accords and understandings that have been reached), by beginning in April 1993 negotiations on the 1994 and 1995 Hong Kong (legislative) elections, which have been through a number of rounds, but still need to be continued.

II

A look ahead shows that the main Western European considerations in developing relations with China will remain its economic and diplomatic security and political strategy. While future Sino-European relations have bright development prospects, efforts will still be needed to surmount various existing obstacles.

1. Developing Relations with China Is a Key Component Part of the Western European Countries' "Asian Strategy"

The Western European countries are paying widespread attention to the development of relations with the Asian-Pacific countries and regions. They are all formulating "Asian strategies" and launching "Asian offensives." The background of this is: 1) The Western European economic recession is worse than predicted, with all countries being deeply troubled by high unemployment, large budget deficits, high interest rates, and monetary-system chaos, making 1993 Europe's "most difficult year since the first oil crisis in 1973." Even Western Europe's leading economic superpower of Germany is experiencing negative growth, not only being unable to act as the "engine" pulling Western European economic growth, but even becoming a brake instead. As all ruling parties are suffering from a widespread loss of popular trust, some being forced into elections ahead of schedule, others even falling from power, and domestic insecurity growing in all countries, the governments of all Western European countries are searching urgently for markets and remedies. 2) While the Western European countries

had expected that the change-of-track in the former Soviet and Eastern European countries would provide them with broad markets, the economic conversion of this region has unexpectedly been exceptionally difficult, with the problems in overcoming severe difficulties in the short-term not only temporarily disappointing expectations, but also needing Western European support. 3) As the Asian-Pacific region is experiencing the world's fastest economic growth, particularly in light of China's political stability and rapid economic growth, this is bound to be highly attractive to Western Europe. Chairman Weiss of the China Working Group of the German Economic Orient Commission notes that "as China is not only the world's largest market, but will remain one of the world's fastest growing markets for some years, German businesses will be able to impact on neighboring regions through China." German Foreign Minister Genscher says that "it will only be by Germany strengthening its overall activities in the Asian-Pacific region that we will be globally competitive." Austrian Chancellor Vranitzky says that: "While the 20th century was a European one, the 21st century is going to be an Asian-Pacific one. In the mid-term, the Asian-Pacific region is going to grow faster and stronger than at present, with much potential being brought into full play. As to Europeans, now is a favorable time to make contacts with the forces that are likely to determine the fate of the 21st century."

2. In the Field of International Politics and Economics, China Is Western Europe's Major Partner in Cooperation

Since the end of the Cold War and breakup of the bipolar order, the world is becoming multipolar. As a permanent member of the UN Security Council and a superpower in the Asian-Pacific region, China's growing economic might is bringing it an increasingly expanding international status and role. All Western European countries acknowledge that dialogue and cooperation with China will be necessary to settle either global or regional issues. The hopes of reunified Germany to acquire a permanent seat on the UN Security Council in its quest to become a political superpower will require Chinese understanding and support. Enhanced cooperation with China by countries such as Italy, Portugal, Spain, and Belgium will help to reinforce their standing and impact in the EC. In today's climate of sharpening international economic competition, the Western European countries have come to understand that as their "sanctions" against China have also been unfavorable to themselves, they had best take active steps to seek for bilaterally-advantageous cooperation and exchange. As Western Europe's last country to lift "economic sanctions" against China, Germany's one-half share of Sino-EC trade has dropped to one-third. Germany no longer wants to be the "big loser" in the Chinese market, but is striving rather to become the "big winner."

3. Only by Reducing the Troubles and Eliminating the Obstacles Can Sino-West European Relations Develop More Soundly

While the different social systems and values of China and Europe require bilateral respect and increased understanding, certain Western European countries are reinforcing ties and contacts with China on the one hand while continuing to pressure China on matters such as human rights, Tibet, Taiwan, and Hong Kong on the other, which continues to create troubles. Certain Western European media circles continue to spread the "China-threat theory"

in an attempt to challenge China's relations with neighboring countries. The uneven development of relations with China by all Western European countries shows that those who make the most troubles have the greatest mutual conflicts and frictions, which affect the development of bilateral relations. So, only by Sino-European relations being based on the principles of "seeking common ground while reserving differences, mutual respect, mutual noninterference in domestic affairs, and equality and mutual benefit," will bilateral relations truly be consolidated and move forward steadily.

Yan Jiaqi on Three Ideological Factions After Deng

93CM0466B Hong Kong KAIFANG [OPEN
MAGAZINE] in Chinese No 80, 18 Aug 93 pp 44-45

[Article by Yan Jiaqi: "Three Flags After Deng—What Will Deng Xiaoping Leave Behind?"]

[Text] The white revolution carried out by Deng Xiaoping has resulted in the emergence in China of various kinds of darkness typical of early capitalism. After Deng, three forces will fight for power, but there will not be the kind of division and civil wars as seen in the Soviet Union and Yugoslavia.

In the second half of the 20th century, the land of China has seen two revolutions. One was Mao Zedong's "red revolution" comprising such episodes as land reform, agricultural collectivization, introducing joint ventures between the state and private owners, the commune movement, and the "Cultural Revolution"; the other has been Deng Xiaoping's "white revolution" which is a "revolution" carried out to push for privatization and a market economy. Mao Zedong tried to create a completely new world through the "red revolution," but he failed.

Deng Xiaoping Is Putting Into Practice Early Capitalism

Today people think that Deng Xiaoping is creating a world economic miracle. As can be predicted, more and more people will discover that Deng Xiaoping has not created a new world either, and that the "white revolution" has not created, on the Chinese mainland, a present-day capitalist system similar to the systems in Taiwan, Hong Kong, Europe, and America, but has on the contrary brought the China of the late 20th century back to an "old capitalist" society typical of the mid-19th century. The difference between present-day capitalism and old capitalism lies in the fact that present-day capitalism has to different degrees experienced attacks from, and been affected by, social democratism and Keynesianism, and is regulated capitalism based on the rule of law. Deng Xiaoping would not be able to do more than what is made possible by historical development. The early capitalism that he is putting into practice in China has resulted in the emergence of various dark phenomena in society, as the "white revolution" carried out by Shah Pahlevi of Iran in the 1960s and 1970s did.

Deng Xiaoping's Four Major Political Legacies

In today's China, as in all despotic totalitarian states, the security of the state depends on one person. All signs indicate that Deng Xiaoping has entered the last stage of his life. His "white revolution" will give China four major political legacies:

The first is "a market economy based on unfair competition." After the June 4th Incident, seeing the changes in the Soviet Union and East Europe, Deng Xiaoping resolutely renounced the planned economy in order to atone for his crime relating to the June 4th Incident.

What he is putting into practice is, in essence, a capitalist system of market economy. However, because of the absence of rule of law and the intervention of political and administrative power in the market, there has emerged a market economy based on unfair competition.

The second is the CPC's "40 big households." If one says that the rule of the Kuomintang of China in the 1940s created the "four big households," the Jiang, Song, Kong, and Chen households, then Deng Xiaoping has created the CPC's "40 big households" in the 1990s. On today's Chinese mainland, intellectuals and wage laborers are struggling, hovering around the poverty line and the peasants are shouldering heavy burdens; in the meantime, large numbers of officials and their children are using their power to plunder wealth, turning from "proletariat" into millionaires, persons each having 10 million yuan's worth of wealth, or even persons each having 100 million yuan's worth of wealth in a few years. Social injustice is rapidly increasing.

The third is the "June 4th knot." Deng Xiaoping has neither the boldness nor the capability to untie the "June 4th knot" while he is still alive. June 4th has become a huge "negative legacy."

The fourth is the weak successor to supreme power. Up to now, Jiang Zemin, who is concurrently general secretary, chairman of the Military Commission, and president of the state, has yet to control the supreme power. Deng's death will create room for struggle for the supreme power on the Chinese mainland.

Marxist Fundamentalism Will Be on the Ascendancy

Deng Xiaoping's death will destroy the balance between the "reformers" and the "conservatives," and various political forces inside and outside the Communist Party of China will fight for state power, holding different flags.

The first flag is the flag of Deng Xiaoping. Some people will use "reform and opening to the outside world," "market economy," and "modernization" as slogans, and continue the line of "opening up economically and being conservative politically" followed during Deng Xiaoping's lifetime.

The second flag is a modified flag of Mao Zedong. Chen Yun and his supporters will hold high this flag. The flag of Mao Zedong will be held up again by some people after Deng because firstly, Deng Xiaoping has failed to carry out de-Maoization in a thorough manner, and because secondly, people of the new generation did not personally experience the effects of Mao Zedong's various crimes. On the contrary, the egalitarianism, iron rice bowl, and puritanical social order of the era of Mao Zedong contrast sharply with the greedy and corrupt image of officials in the era of Deng Xiaoping. Deng Xiaoping's "white revolution" will lead to the same result as Shah Pahlevi's "white revolution": the ascendancy of "fundamentalism." In Iran, it was Islamic

fundamentalism; in China, it will be Marxist fundamentalism. As the Chinese are not very religious, and as Marxism is on the decline worldwide, in post-Deng China neither Marxist fundamentalism nor the flag of Mao Zedong will be able to produce a new era of despotism similar to the Khomeini era in Iran. However, Marxist fundamentalism will be an unavoidable force in the "post-Deng era."

Opposition Parties Will Be Established and Get Ever Stronger

The third flag is the flag of freedom and democracy. A faction with a liberal tendency will emerge inside the Communist Party of China. It will not only advocate market economy and privatization, but also advocate further political relaxation, carrying out press reform and political reform. Nevertheless, the liberal faction in the party will still be constrained by the Communist system. In the "post-Deng era," the Zhao Ziyang force will grow again, and part of that force and part of the Deng faction will merge and form the liberal faction in the Communist Party of China.

In the "post-Deng era," in addition to the Deng faction, Chen faction, and liberal faction in the CPC, "non-CPC" forces will also grow, and after undergoing repeated suppression, crackdowns, and persecution, will ultimately form opposition parties which will grow ever stronger. China is different from Iran; Deng Xiaoping's "white revolution" will result in a pluralistic political situation, just as in the old capitalist countries during the mid-19th century, with liberalism, democratism, various schools of socialism, and anarchism existing side by side. The difference with the mid-19th century will be that Marxism will not grow further, but will remain a small faction.

Seeing the disintegration of the Soviet Union and of Yugoslavia, many people worry that the post-Deng era will see a repeat of the local warlord regimes that existed in the era of the Northern Warlords. Today's China is not only different from the Soviet Union and Yugoslavia, but also different from the China of the early 20th century. Although China's economic reform has strengthened local forces, economic ties among the regions in China are getting ever closer. The armed forces of the CPC dynasty are very different from the Xiang Army, Huai Army, and North Sea Navy in the last years of the Manchu Dynasty in all aspects; it is thus difficult for warlords and separatist warlord forces to emerge. The disintegration of the Soviet Union and of Yugoslavia has caused a strong reaction from China's armed forces and people, resulting in the formation of an invisible psychological force in favor of maintaining national unity and preventing disintegration. However, in the post-Deng era, with the disappearance of political strongmen, large-scale rioting caused by the serious worsening of the phenomenon of social injustice may lead to short periods of military rule.

History Will Not Repeat Itself in a Simple Way

The world rarely sees the occurrence of entirely new historical events. Neither Mao Zedong's "red revolution" nor Deng Xiaoping's "white revolution" brought about an unprecedented new era in China. However, history will neither stand still nor repeat itself in a simple way. Mao Zedong's "red revolution" brought about China's total independence. While Deng Xiaoping carries out a "white revolution" harking back to the mid-19th century, and the Opium War is already a thing of the past, just as old capitalist countries did, China will return to the real world from the communist utopia after going through repeated changes in government, street riots, worker strikes, constitutional revisions, reforms of the electoral system, the making of social welfare laws, and even one or two military coups. It can be predicted that after going through repeated miseries and torment, our motherland will shake off the despotic tradition of several thousand years and become a modernized world power with freedom and democracy as well as social justice. (31 July 1993, Paris)

Gorbachev's Role in Disintegration of Soviet Union

93CM0455A Beijing ZHENLI DE ZHUIQIU [PURSUIT OF TRUTH] in Chinese No 8, 11 Aug 93 pp 2-6

[Article by Zhang Zesen: "What Role Did Gorbachev Play in the Radical Changes in, and the Disintegration of, the Soviet Union"]

[Text] Over the past year, at home and abroad there have been many analyses of the causes of the radical changes in, and the disintegration of, the Soviet Union. As the perspectives, methods, conditions, and data have been different, the conclusions have also been different. Some mostly emphasize that these developments were the result of Western countries' efforts to promote peaceful evolution in the Soviet Union; however, some others argue that these developments were mainly caused by the failure to manage well the domestic economy of the Soviet Union; still others believe that these developments were the disastrous consequences of Gorbachev's effort to publicize and implement "humane and democratic socialism." There are many views which all have some basis. However, in the view of this author, it may not be proper to emphasize only one factor, while disregarding other factors, in trying to account for the fact that a strong socialist country like the Soviet Union, which had had such a long history, experienced such a radical regime change in such a short time, resulting in the disintegration of the union. It should be said that there were both internal and external factors as well as both distant and immediate factors. These developments were exactly caused by the combined effects of internal and external factors as well as distant and immediate factors. The peaceful evolution offensive launched by Western countries against the Soviet Union was surely important, but it might not have been effective without

the support of internal factors. For as early as the 1960s and 1970s, Western countries adopted the strategy of promoting peaceful evolution in the Soviet Union. Why did they not achieve their goal then? The main reason was that at that time the Soviet Union did not have the domestic conditions. The economic situation in the Soviet Union was already full of problems in the later years of Brezhnev's rule. Why did political collapse not take place then? The reason also lay in the fact that at that time the Soviet party and government were not in a state of disorder, the political ideological situation in society was still rather stable, and as a result the anti-Communist, antisocialist forces were unable to coalesce to form a force capable of overthrowing the leadership of the CPSU and the socialist system. At that time, the reactive effects of political factors on economic factors were rather prominent. After coming to power, Gorbachev, in his status as the party's general secretary, advocated and promoted "humane and democratic socialism," thereby creating confusion in people's minds and in the party, and helping anti-Communist, antisocialist forces develop. His actions can be said to be the most direct and important internal and immediate causes of the radical changes in, and the disintegration of, the Soviet Union. Nevertheless, how could the over 200 million Soviet people and the nearly 20 million CPSU members have been so easily taken in by Gorbachev and others, and have followed them without thinking through the matter? Was it the case that in the eighth and ninth decades of the 20th century the Soviet Union saw a repeat of the farce depicted by Marx in *The Eighteenth of Brumaire of Louis Bonaparte* over 140 years ago: the 36 million French people were caught unprepared by three well-dressed swindlers and became their prisoners without resistance? In fact, according to Marx, not that Louis Bonaparte, Cavaignac, and Ledru-Rollin—the three swindlers in the political arena of France of that time—were very talented and able to hoodwink so many French people, but at that time France was in a situation of very acute, very complex political struggles; at that time the French proletariat was weak and the peasants were not awakened; the petty bourgeois democrats were only capable of engaging in big talk but did not dare to engage in resistance at critical moments; and the various factions of the bourgeoisie were weakened by the infighting over power and benefits and they particularly feared that the struggle against Bonaparte would result in the resurgence of the "red" forces. Thus, in order to secure "social tranquility" and their class interests, they would rather let Bonaparte become emperor than see the continuation of the political turmoil. All this created conditions for the counter-revolutionary coup and the restoration of the imperial system carried out by the political clown Louis Bonaparte. Such profound historical materialist analysis made by Marx also has important significance in terms of guiding our current efforts to explore the causes of the radical changes in, and the disintegration of, the Soviet Union. There were many historical factors accounting for the fact that Gorbachev's "humane and democratic socialism" was able to be accepted by some people after

being proposed in 1987 and that he was elected general secretary and president with the majority of votes at the 28th CPSU Congress and the First Session of the Congress of People's Deputies respectively, while his political goal was not made out. The Soviet Union of that time was faced with various contradictions accumulated over the years, such as the increasingly serious defects in the economic system, the lack of necessary democracy and legal rules in the political arena, and especially the continued lowering and weakening of the party's prestige caused by the gradual corrupting and degenerating of top officials since Brezhnev came to power. All this enhanced the attractiveness of such ideas as "humane and democratic socialism" advocated by Gorbachev, and created some mass base for, and conditions favorable to those ideas. It can be said that in the period from Brezhnev to Gorbachev the CPSU had become seriously divorced from the masses and had effectively lost the strength generated by mass support. Therefore, it is necessary to view Gorbachev's personal vicious role in the radical changes in, and the disintegration of the Soviet Union on the basis of relating it to the consequences and impact of many contradictions and mistakes which had occurred and been accumulated in the history of the Soviet Union. That is, only by analyzing both distant and immediate factors would it be possible to make the analysis profound and comprehensive, to produce correct conclusions, and to locate the experience and lessons useful to us.

Hereforth, this author will focus on the discussion of one question: What role did Gorbachev, among those immediate and internal factors, play in the radical changes in, and the disintegration of, the Soviet Union?

In the view of this author, Gorbachev was in fact a product of the degeneration of the party and the Western peaceful-evolution offensive, and he played the role of a traitor and capitulator in the radical changes in, and the disintegration of, the Soviet Union. During the first two-plus years in power, Gorbachev earnestly promoted reform. He saw the defects of the traditional model rather clearly and put forward some valuable ideas and proposals; however, as he lacked correct ideological guidance and was greatly influenced by "democratic socialism," he soon changed into advocating an erroneous ideological line. After the start of the winter of 1987, his reform began to go in a wrong direction, and he moved from admiring "democratic socialism" to putting "democratic socialism" into practice; from exposing certain errors in history to comprehensively negating the Soviet Union's 70-plus-year history of socialism; and from advocating renovating socialist ideology to attacking and rejecting the theory and principles of scientific socialism as a whole. In this way, he not only destroyed the CPSU ideologically and organizationally, but also pushed Soviet society into the abyss of economic collapse, political disorder, ethnic confrontations, and intermittent military conflicts. Whether he himself acknowledges it or not, the actual collapse of the socialist system in the former Soviet Union was an iron proof that

his erroneous line and policies, followed for several years, had produced damaging results. He was, in a significant way, inescapably politically responsible for what happened.

How did Gorbachev destroy the CPSU and the socialist system of the Soviet Union? This author believes that three things were mainly responsible in this regard:

1. Gorbachev's reform was not to perfect the socialist system, but to reject and renounce the socialist system and to replace it with the political-economic model of "democratic socialism." To that end, he on the one hand described the Soviet Union's 70-plus-year history as without a single redeeming feature, asking people to part with the "evil past," and on the other hand vigorously beautified "democratic socialism," trying every means to introduce the principles of "democratic socialism" which were in fact capitalist principles (such as those of private ownership, multiparty system, pluralism) into the CPSU and Soviet society. The seven features of "humane and democratic socialism" expounded by him at the 19th CPSU Conference of Deputies and the content of his article, "Socialist Ideology and Revolutionary Change," published in November 1989 all entailed asking people to give up the most fundamental principles and goals of scientific socialism and to accept the political and economic principles of "democratic socialism." Under the guidance of this erroneous ideology, the CPSU was pushed into disorder; ideological confusion spread across society; social order was totally disrupted; and it also became impossible to continue the reform of the economic system. This "disorder" started with ideological confusion; disorder in political and economic arenas as well as in ethnic relations inevitably followed. Faced with increasingly serious social and ideological disorder, Gorbachev not only failed to adopt necessary measures to eliminate such disorder, but on the contrary vigorously promoted the development of disorder. He endeavored to cater to the demands raised by domestic and foreign reactionaries so as to seek to establish "prestige" among them; at the same time, he also endeavored to cater to the demands raised by Western countries so as to win their continued "approval." After 1989, he went ever farther down the road of advocating and putting into practice "democratic socialism"; as a result, in 1990 disorder further developed and became "crisis." Gorbachev's support for the radical changes in East Europe in 1989 fully showed that he hoped that the Soviet Union would move in the same direction. His ultimate goal and wish were to put into practice "democratic socialism" in the Soviet Union. Later, invited by the Socialist International, Gorbachev spoke at the 19th Congress of the Socialist International in September 1992; he said that his goal had been to transform the CPSU into a democratic socialist party, but that the August 19th incident in 1991 had disrupted his plan. This shows that Gorbachev already had clear plans early on. After 1988, he moved quickly toward "democratic socialism." Not only did he himself take this road, but he would also lead the entire

party and entire Soviet society into embarking on this road. As a result, the various contradictions and problems accumulated over the years in the history of Soviet Union had the opportunity to fully erupt, that is, distant factors had the opportunity to fully erupt, while external factors also played an ever greater role at that time. The radical changes in, and the disintegration of, the Soviet Union were caused by a combination of all these factors.

2. Supported and protected by Gorbachev's statements advocating democratization, openness, and pluralism, the anti-Communist, antisocialist forces in the CPSU and in society quickly coalesced, forming a strong organized anti-Communist, antisocialist force with leaders and a program. Those forces assumed different names, and carried out a large-scale and lasting struggle against the CPSU and the socialist regime. Even those in the West who had assiduously advocated and promoted peaceful evolution had failed to foresee the effectiveness and quickness of this struggle. There had already been an anti-Communist, antisocialist force inside the Soviet Union (such as dissidents and underground anti-Communist organizations) early on, but it had not been strong and had not had extensive social impact, while there had basically been no organized opposition within the party. The policies followed by Gorbachev after coming to power, however, especially such ideas as democratization, openness, and pluralism advocated by him, gave great encouragement and support to the anti-Communist, antisocialist forces in Soviet society and in the party. Anti-Communist, antisocialist activities were given protection under various guises. After 1988, in the Soviet Union various parties and organizations emerged, just as bamboo shoots emerge after a spring rain, and tens of thousands of "informal" organizations gradually evolved into anti-Soviet, antisocialist parties and organizations. Their activities changed from underground activities into open activities, and they moved from engaging in purely regional activities into forming trans-regional coalitions. According to the relevant data, there were already over 500 political parties in the Soviet Union before the August 19th incident. Their activities consisted of continuously creating social disturbances and crises. In just one year, 1989, the Soviet Union saw over 5,300 rallies, with a cumulative attendance of over 12.6 million. The first two months of 1990 alone saw over 1,500 rallies, with a cumulative attendance of over seven million. Thus, the situation was deteriorating further. As known to all, as early as November 1986 Gorbachev personally telephoned the chief dissident Sakharov, asking him to come back to Moscow from Gorky City and encouraging him to continue political activities. After that Gorbachev released over 140 important dissidents, thereby giving anti-Communist, antisocialist forces strong spiritual support and encouragement. In the party, he did his utmost to promote the development of right-wing forces, thereby continuously weakening the forces upholding socialism. As Gorbachev's ultimate goal was, as he said, to transform the CPSU and Soviet society according to the model of "democratic socialism," the forces obstructing his effort

to achieve that goal were those upholding the leadership of the CPSU and the socialist system, as far as he was concerned. It can be said that he was identical or similar to the right-wing forces in the party in many aspects (including democracy consciousness, party programs, and economic models); thus it was not surprising that he continually helped the right-wing forces develop. After 1988, his criticism of, and struggle against, the so-called "conservatives" and "moderates" were much more ruthless than his criticism of, and struggle against, the radicals. He brought down not only people like Ligachev, but also people like Ryzhkov who basically supported him. Gorbachev might not have realized that the result of such action on his part would be his own downfall. It was entirely inevitable that without the support of the party and socialist forces, he would ultimately be driven out by the anti-Communist, antisocialist forces. What was tragic was that the socialist cause of the Soviet Union was ruined by the political approach he adopted.

3. Gorbachev introduced political pluralism into the political system of the Soviet Union and even agreed to amending Article 6 of the USSR Constitution, giving up the party's status as the ruling party, thereby further deepening the social and political crisis in the Soviet Union. He destroyed the CPSU and the socialist system of the Soviet Union with his own hands. This shows that the decisive step contributing to the radical changes in, and the disintegration of, the Soviet Union was to satisfy the demand for a multiparty system and to give up the party's leadership status. This action not only exacerbated the ideological confusion within the party, but also inevitably led to serious factional confrontations within the party. As the CPSU's ruling party status was being shaken and as the party lost its prestige, 1990 saw the phenomenon of large numbers of CPSU members resigning. The CPSU previously had had over 19 million members, but in the period from early 1990 through the first half of 1991 alone, over 4 million people resigned as CPSU members. Especially after the 28th CPSU Congress, there occurred a tidal wave of resignations as CPSU members. The number of worker CPSU members who resigned as CPSU members was double the number of intellectual CPSU members who resigned. The number of pensioner CPSU members who resigned as CPSU members was 2.5 times larger than the number of ordinary CPSU members who resigned. There were many reasons for resigning as CPSU members; the most widespread reasons were the dissatisfaction with the 28th CPSU Congress and the loss of confidence in the party. Because of the disruptive impact of such a situation, the combat effectiveness of party organizations at all levels was greatly weakened or even completely lost. Right-wing forces, using the publications under their control, labelled party and government management cadres at all levels as "conservatives" in relation to the reform, resulting in strong public opinion pressures on cadres and CPSU members in general, and weakening their prestige so that it became difficult for them to carry out work. The 28th CPSU Congress gave permission for ideological pluralism within the party, and allowed a

small number of people to use the party's media tools to publicize their different or even antiparty views, thereby providing legal protection for antiparty activities. Because of all this, by the summer of 1991 the CPSU had already lost its ability to fight, and had become unable to extricate itself from that situation. After the August 19th incident, the CPSU, as a party organization, was totally incapable of making the necessary responses, and was in a situation of being trampled upon at will. Meanwhile, at this critical moment, Gorbachev surrendered completely, and allowed himself to be ordered about; he even issued and signed a series of orders ending the existence of the CPSU and handing over all the party's properties and files. Was it inevitable that the CPSU would suffer such an awful fate? Of course not. The CPSU had many opportunities to get, and conditions for getting revitalized so as to be able to fight the anti-Communist, antisocialist forces. However, Gorbachev did not do this; he repeatedly reached compromises with and made concessions to the anti-Communist, antisocialist forces within and outside the party and failed to seize several opportunities to crush the anti-Communist, antisocialist forces, resulting in the party being completely defeated by others in the end.

The three points made above are enough to show how harmful Gorbachev's decisive role was in the radical changes in, and the disintegration of, the Soviet Union. He gave a fatal prescription to the sick giant of the Soviet Union and hastened the demise of the socialist system of the Soviet Union. The main cause of the disintegration of the Soviet Union was surely the many disharmony factors left over by history, but the turmoil in the central government and the spreading of the idea of extreme democratization in society during Gorbachev's rule undoubtedly provided a suitable climate and soil for ethnic splittist activities. Therefore, Gorbachev was also inescapably responsible for the fact that disorder in the ethnic relations in the Soviet Union turned into crisis, ultimately resulting in the disintegration.

Based on the analysis above, this author believes that Gorbachev's actions during his rule produced a great deal of serious harm and negative impacts, exacerbating the many problems in the system and ideology which had emerged and been accumulated in the history of the Soviet Union, and turning them into factors contributing to the radical changes in, and the disintegration of the Soviet Union, and that as Western countries' peaceful evolution offensive was also intensified, there finally emerged a joint force which brought down the great socialist edifice, the Soviet Union. If other people may be said to have also been significantly responsible, then Gorbachev's responsibility for the radical changes in, and the disintegration of the Soviet Union, may have been incomparably larger than anyone else's. History will inevitably impose a harsh judgment on his actions.

Concept of Private Ownership Denigrated

93CM0455B Beijing ZHENLI DE ZHUIQIU [PURSUIT OF TRUTH] in Chinese No 8, 11 Aug 93 pp 26-27

[Article by Liu Runwei: "Clarifying the Concept of 'Owner Mentality'"]

[Text] Recently, some people have been advocating the "owner mentality." What is the "owner mentality"? According to explanations given, it means that the head of a plant or a unit should manage, run, and take charge of his own plant or unit as if it were his "private property."

As should be pointed out, here the extension of the concept of "owner mentality" is generously and loosely delimited. According to this logic, China's slave owners and feudal rulers would have to be considered the forerunners of people having the "owner mentality." "Every piece of land under heaven belongs to the king; everyone in the land is the king's subject." They indeed treated the "units" under their management as "private property." If that was not the "owner mentality," what was it? According to this logic, the Western oligarchs are also a clan with the strongest "owner mentality." They not only treat their own countries as their own "private property," but have also extended their reach to the entire globe; whether in Asia, Africa, or Latin America, all the people, properties, and things are considered by them to be their own "private property." If the other party involved does not recognize that, then they will let that party suffer bloody calamities. What is more, it is said that they are planning to extend their scope of "management," bringing the moon under their "management."

Those who advocate the "owner mentality" may say that although the extension of the concept is delimited generously, it is not that generous in practice. If so, then let us think about something closer, that is, the land of real-world China. In terms of "units," a bank is a unit; a party committee is a unit; and a military unit is also a unit. If the president of a bank treats the bank as his "private property," is it not the case that the president has become an embezzler? If the secretary treats the party committee as his "private property," is it not the case that that secretary has become a clan chief or a head of household? If a division commander treats his unit as his "private property," is it not the case that the division commander has become a warlord? Do not think that this is just exaggeration. Can you not see that "local strongholds" have emerged in some places and are acting in defiance of all laws and commands? Such a situation may have something to do with the vicious development of the "owner mentality" on the part of those in charge, who are treating the regions and units under their management as their "private property."

Those who advocate the "owner mentality" have focused on publicizing the following view: "If one considers himself the 'owner,'" he will work more earnestly and diligently." Or, in other words: If one does not consider himself the "owner," he will not work more

earnestly and diligently. Put bluntly, the idea is that private ownership and the private owner mentality constitute the only panacea in regard to economic development. Such a view is nothing new. As early as over a century ago, in order to combat scientific socialism, the bourgeoisie argued: "As soon as private ownership is abolished, all activities will stop, and laziness will become prevalent." In the *Communist Manifesto*, Marx and Engels have criticized such a view: "According to such a logic, bourgeois society should have already perished because of laziness; for in this society, those who work do not reap the gains, and those who reap the gains do not work." This is a truly incisive remark. Under capitalism, workers are hired laborers, and of course they do not engage in labor because the enterprises are their own "private property." Furthermore, in today's capitalist enterprises, the enterprise leaders who conduct production and business operations are often not the owners of the enterprise, but managers hired by the board of directors. They are not concerned about correctly using, or increasing the value of the means of production, because the enterprise is their own "private property"; rather, they do so because of other economic and noneconomic motives. This shows that the idea advocating the "owner mentality" does not stand up.

We are historical materialists, and advocate that relations of production must be appropriate to the level of the productive forces and meet the requirements raised by the development of the productive forces. Therefore, for the present stage, we persist in making public ownership and distribution according to work the dominant practices, and use other economic sectors and distribution methods as supplements, while allowing some regions and people to get rich first through honest work and lawful business operations. Such policies are conducive to increasing enthusiasm on the part of the broad masses of the people. Nevertheless, this does not mean to advocate the idea that individuals should put aside the state, collectives, and other people and concentrate exclusively on promoting their own material interests.

It is also because we are historical materialists that we are more farsighted than the bourgeois owners: The private owner mentality is only tied to a certain stage of development of social history, and will inevitably wither away with the passing of that stage of social history. Humanity's moving toward being selfless spiritually is really the destination of social history in terms of its development. This destination should be the highest value goal that we will pursue. We are glad to see that the value of selflessness has stubbornly grown and is growing in the land of real-world China, and as a spiritual force, is playing an incomparable, strong role in promoting economic development. Amid the noise advocating the "owner mentality," Qiu Zhenliang, secretary of the CPC Doudian general branch, said resoundingly: "We should never forget that ordinary people are the heaven; do not do those idiotic things which are against heaven."

According to Qiu Zhenliang, the masses of the people are the masters, instead of hired laborers, and he himself is a public servant, instead of an "owner." How sharply this view contrasts with the view of those "owners" who have the "owner mentality"! It has exactly been because of being pushed by such a spiritual force of selflessness that Doudian has become a 100-million-yuan village; it has precisely been because of this righteousness of a Communist that Doudian has become a civilization village in socialist China.

Reviewing the past and looking ahead, this author says cheerfully: As the public servant mentality is here, the "owner mentality" can cease to exist.

Ministry on Classification of Civil Service Positions

93CM0498A Beijing XUEXI YU YANJIU [STUDY AND RESEARCH] in Chinese No 17, 1 Sep 93 pp 8-10

[Article by Wang Leibao (3769 7191 0202), Director, Positions and Qualifications Department: "Build a Distinctively Chinese Civil Service Classification System Step by Step"]

[Text] The position classification concept was introduced into China not very long ago. Works about administration or personnel administration published on the China mainland say virtually nothing about position classification. Some do mention it, but devote only a few hundred words to it and move on. Since China has not instituted a position classification system in its personnel management, everyone is rather unfamiliar with it.

In talking about position classification, classification has to be explained first. Classification problems have existed since ancient times, and they are everywhere in our lives today. Examples include library book classification, the classifying of goods displays in shops, and document control classification in government agencies. Even the placement of the clothing of every member of a family requires classification. When things are placed in a disorderly and unsystematic fashion, finding them is time wasting and a nuisance, or is even impossible. One might say that without classification, there is no control, and without scientific classification, there is no scientific control. We also learn from daily life that various principles and methods are involved in classification. In other words, classification is the basis for control.

Position classification is a form of personnel classification. Personnel matters is rendered in Chinese by the two words "person" and "matters," meaning what kind of "person" handles what kind of "matters." Since classification is the basis for control, personnel control must be the basis for personnel classification. Personnel classification uses just two basic methods: One is classification that centers around "persons." This method is termed "grade classification." The second is classification centering around "matters." This method is termed "position classification."

Classification centering around persons is based on the qualifications that persons possess. Classification and grading are done on the basis of education (frequently expressed in a formal schooling record or educational level), practical experience (frequently expressed in a record of service or number of years employment), and positions held (alternatively termed "official rank" or "official title." In ancient China, "official rank" was termed "status," and one's "status" was the grade of one's "official rank." This is the origin of the term "grade classification." China has a long history in the use of a grade classification system. During the Qin and Han dynasties, there were 18 levels of nine ranks, and this system continued right up until the Qing dynasty. The common people are very familiar with the several ranks of officials. The so-called several ranks applied to personal status rather than duties. The pre-liberation Kuomintang government had a so-called special appointment rank, selected appointment rank, recommended appointment rank, and designated appointment rank showing the levels of official rank. This ranking also applied to personal status rather than duties. The various cadre ranks that the party and government prescribed after liberation also applied to personal status rather than duties. In personnel classification terms, all the foregoing "grade classifications" had to do with personal status.

Classification by "duties" is termed "position classification." The basis for position classification is different than for personal grade classification. The basic elements in position classification are four: nature of work, degree of difficulty of work, amount of responsibility, and qualifications needed. These four elements relate to the "duties" to be performed rather than to the "person" performing them. The countries of the world that practice position classification today use the foregoing four elements in classifying positions. Of course, determination of the basic elements in each position also requires a body of standards and methods, as well as scientific procedures.

The grade classification and position classification methods have separate advantages and disadvantages. The strength of grade classification lies in its training up and promotion of well-rounded personnel. It helps nurture and test all the abilities of cadres; it helps use to advantage people's subjective initiative; it provides civil service personnel constant opportunities to rise; and it helps recruit highly educated people. The disadvantage of grade classification is that it may easily restrict full use of the talents of people who have limited education but who are very capable; it may easily lead to ranking by seniority and status; and it may often result in people who make a great work contribution and who perform outstandingly not receiving the position and remuneration they deserve because of their limited educational background, thereby impairing their initiative and hampering the emergence of outstanding young people. When a grade classification system is used in the absence of scientific testing methods, capable people may not be

scientifically assessed or used properly. This produces an egalitarian "large common pot" system of no equal compensation for equal work, no equal work for equal compensation, no greater pay for greater work, or no less pay for less work. It creates a situation in which personnel are treated the same whether they work well or work poorly, do much work or do little work, or work or not work. In addition, a situation may occur in which a specific unit has both a "lack of capable personnel" and "too many unneeded personnel" at the same time, in which duties are not clear, and in which buck passing and arguing over trifles occurs.

The advantages and disadvantages of the position classification system are just the reverse of the grade classification system. The advantages lie in setting remuneration for work and ease in formulation of uniform and fair standards. The position classification system provides a basis for hiring, testing, rewards and punishments, and promotions and transfers. It also helps in choosing people for specific jobs, avoids the making of jobs to employ people, reduces superfluous personnel, and improves work efficiency. Third, duties are spelled out, thereby avoiding and reducing buck passing and arguing over trifles. Fourth, it makes inspired personnel promotion easy since it is easy to weigh and determine how well each person performs, thereby reducing and avoiding subjective judgments. The shortcomings of position classification are also obvious. First is the limitations of its applicability. Position classification does not lend itself to not readily quantifiable work that changes frequently and where mobility is great. Second, position classification is detrimental to cadre cross-pollination and to the full development and nurturing of well-rounded cadres. It is not conducive to the full expression of people's initiative. In addition, position classification requires a fairly large amount of work; steps in the classification process are fairly complicated; and the expenditure of manpower and material is substantial. The trend of development in every country of the world is toward taking the best of both systems, the advantages of one system compensating for the disadvantages of the other. As a result of steady progress and development, the system in use today is no longer strictly either grade classification or position classification.

The position classification system for Chinese personnel must be fashioned with the needs of the situation in China in mind. The fine party cadre personnel work tradition must be continued and carried forward. Close attention must be given to expressing and stirring the zeal of civil service personnel, to practicing the principle of payment according to work, and to surmounting shortcomings such as unclear responsibilities, buck passing, and arguing over trifles. The strengths of specific position classification methods must be played up and the weaknesses played down, what is beneficial retained and what is not eliminated to achieve the step-by-step building of a distinctively Chinese position classification system that is scientific, rational, and easy to operate.

The main ingredients in China's position classification work are the breaking down of functions, the setting up of positions, and the drawing up of position descriptions.

Position classification is founded on the "three fixes" for government agency reform, the work of all units in each government agency from top to bottom being broken down level by level by character, duties, and responsibilities in a process whereby duties and responsibilities are assigned every position. This is an extraordinarily important basic task. The breaking down of functions must be guided by the theory for building a distinctively Chinese socialism that uses as its point of departure implementation of the Party's basic line of "one center and two basic points." It must take the building of a socialist market economy as the goal, meeting the needs of reform and opening to the outside world and the transformation of enterprises' operating mechanisms for the purpose of changing government functions.

The establishment of positions is the rational setting up of position levels and numbers on the basis of the transformation of the inherent functions and the breaking down of functions in government agencies at all levels in accordance with applicable state policies. The establishment of functions must center around "work" (meaning functions), using the character of the work, its degree of difficulty, the amount of responsibility it entails, and the qualifications required as the basis. In the setting up of positions, the amount of work a person can do must serve as the criterion. When there is less work that a person can do, positions should be abolished or merged in order to avoid having redundant personnel with no work to do or not enough work to do that hurts work efficiency. The number of positions set up must be the minimum number needed for effective work performance. Positions that can be merged should be merged, and positions that need not be established should not be established. The levels at which positions should be established should tend to be few rather than many. More low level positions should be set up than high level ones. This is the only way to get the most benefit from the least input to attain the goal of improving staff and simplifying administration to improve efficiency.

The provision for the setting up of non-leadership positions that the national civil service interim regulations call for is a major ingredient in the country's civil service system. The setting up of nonleadership positions helps reduce the number of leadership positions, helps in planning the work tasks of government agencies at all levels, expresses the differentiation of work character, work difficulty, amount of responsibility, and qualifications needed, and expresses the principle of remuneration according to work. Nonleadership positions are set up as work requires. They are not "caretaker positions" but "real positions," and they are not "empty positions," but have administrative leadership functions. The establishment of nonleadership positions must be based on the establishment of leadership positions; they cannot be more numerous than a unit's leadership positions. The number of leadership positions must be limited, the

number in each unit varying according to work requirements and the degree of difficulty. There can be no apportionment of an equal number of such positions in each unit. In principle, there should be more of them in higher level than in lower level government agencies, more in agencies having multiple functions than in specialized agencies, and more in supervisory agencies than in executive agencies.

In setting up positions, the principle of systematization must be fully considered, attention paid to the linking and the separation of positions. The necessity for and good sense in setting up each position must be appraised, and duplication and overlapping of position functions must be guarded against in order to prevent buck passing and arguing over trifles so as to ensure optimum operation of the entire system.

In order to reflect objectively, accurately, and evenly the work tasks, the functional authority, and work standards, and requisite qualifications for each position, once the setting up of positions has been completed and approved, "position descriptions" must be drawn up. Position descriptions usually contain the following: first is position title, meaning the designation of each position; second is a position identification number, meaning a number standing for each position as a convenience for the control of subsequent personnel work; third is work particulars, every task of each position to be listed; fourth is a simple explanation of each work task that includes content, procedures, and authority; fifth is required knowledge and ability, i.e., an explanation of the knowledge, talent, skills, experience, and capabilities that the work in each position requires; sixth is the criteria for changes of assignment, transfers, or promotions, explaining the possible or best prospects for changes of assignment, transfers, and promotions for personnel in a given position as professional needs require; and seventh is work standards, explaining the

quality and quantity standards for each task as a basis for the personal assessment of each worker.

Grading [guiji] and listing [liedeng] is not currently used in position classification in China's civil service system. This differs from practice in other countries using position classification. In China, the degree of difficulty, the amount of responsibility, and needed qualifications for the work in each position are expressed largely in terms of the level of the position. The higher the position, the greater the work difficulty and the greater the responsibility, and vice-versa. Every position level corresponds, in turn, to a certain grade. In this sense, grade expresses the position classification elements. However, the grade is not for each position, but for each person. In this sense, the setting of the grade is in the character of a grade classification rather than a position classification. This shows that the same position may be filled by people of different grades, and people in the same position can have a different grade at different times. In addition, people in positions at different levels (i.e., personnel discharging different duties) may have the same grade. The civil service wage system also contains provisions about wage increases. Every civil servant has the opportunity to obtain promotions by working hard. In other words, there are three ways to get promoted. First is by a position promotion. Generally, promotion to a position means a grade raise and a wage raise. The second is through a grade raise, meaning that even if one cannot be promoted to a higher position, he or she has the opportunity to be promoted in grade, a wage increase accompanying the promotion in grade. Third is a wage raise. A wage level is assigned each position, and the wage level for positions at different levels overlap. So even if one is not promoted to a higher position or grade, the wage level for the position he or she occupies may be raised. This solves the long-standing problem of position limitations of being unable to obtain a wage increase unless one's position were raised. This new mechanism strongly stimulates the rank and file of civil servants to work hard and to move ahead steadily.

NATIONAL AFFAIRS, POLICY

Journal Views Enterprise Transformation, Suggestions

93CE0840A Beijing ZHONGGUO JINGJI TIZHI GAIGE [CHINA'S ECONOMIC STRUCTURE REFORM] in Chinese No 7, 23 Jul 93 pp 12-17

[Article by Gao Shangquan (7559 1424 0356): "Difficulties in Modifying the Business Mechanism of State-Owned Enterprises. Measures To Overcome Obstacles"]

[Text] Two great difficulties are encountered in our efforts to modify the business mechanism in China's state-owned enterprises: One is the absence, so far, of a market environment required for independent enterprise operations; and the other is the inability, so far, of evolving a specific pattern of enterprises with responsibility for their own profits and losses.

Transformation of enterprises into proper corporations requires modification of the business mechanism of enterprises and to actually realize enterprise responsibility for their own profits and losses. To achieve this, the following three different organizational patterns are available: fully state-financed corporations, limited liability companies with shares held by a publicly owned legal person, and companies limited by shares with a majority of shares in public ownership. For small-scale enterprises the method of selling their property rights or concluding long-term leases could be adopted.

The 1984 "CPC Central Committee Resolution on Transforming the Economic Structure" distinctly proposed modification of the business mechanism in state-owned enterprises to one of independent management with individual responsibility for profits and losses. For most enterprises this objective has not yet been achieved, because of the following two great obstacles: One is the absence, so far, of a market environment as required for the independent management of enterprises. The other is the inability, so far, of evolving a specific pattern of enterprises with responsibility for own profits and losses.

Market Environment Required for Independent Enterprise Management

Independent enterprise management requires a market environment, while the formation of a market environment is again the result of a systematic reform of all the structural components. Without reform of the relevant organizational system, formation of a market environment and moving the enterprises toward the market system would remain wishful thinking, impossible of actual realization. To put it briefly, formation of commodity markets requires reform of the plan system, of the circulation system, and of the price control system. When production is arranged under the system of mandatory planning, when circulation is effected through a system of state monopoly of allocations, and when prices for products are fixed by the government, commodities

will not enter a market, and prices can also not serve to reflect supply-demand conditions and serve as signals for the regulation of supply and demand. In that case, enterprises will only produce and trade according to government directives and allocations, but will not be able to enter into the market. Taking it one step further we may say that for independent enterprise management it is not sufficient to have a commodity market, it is also necessary to have a market for key elements, mainly a money market and a manpower market. This again requires reform of the investment system, of the money supply system, of the labor and personnel system, and of the social insurance system. Up to now, there has been unequal progress in the reform of these systems, but so far none has been properly put in place. Especially the absence of satisfactory money and labor markets are major factors that restrict independent enterprise management and the further progress of enterprises toward market orientation.

A sample survey by parties concerned has shown the following fundamental characteristics of China's market environment:

First, a great disparity exists in the degree to which the commodity market and the market for key elements have been developed. Because of the faster pace of the reform of the planning, circulation, and pricing systems, commodity markets have developed rather rapidly, and the enterprises have also attained greater autonomy in the areas of production, supply, and marketing. Comparatively little progress has been made in the reform of investments, money supply, labor, personnel, and social security systems, resulting in rather slow progress in the market for the key elements, and also rather slow progress in allowing the enterprises full autonomy in these areas.

Second, a great disparity exists market environments faced by large, medium, and small enterprises. The market environment faced by small-scale enterprises is very good, and as a consequence their autonomy in business operations is fairly extensive. Large- and medium-scale enterprises, especially the key enterprises for the production of important products, face a poor market environment, and as a consequence their independence in business operations is of a low order.

Third, a great disparity exists in the market environment faced by different lines of business. The market environment faced by enterprises producing investment-type products and consumption-type products is very good, and their business autonomy is also quite extensive. The market environment faced by enterprises in the raw materials and basic industrial materials sectors is poor, and their business autonomy is comparatively limited.

Fourth, a great disparity exists between the market environment in different regions. Markets are well developed in the special economic zones and development zones, but poorly developed in other regions.

The above-mentioned four kinds of disparities clearly indicate how our reform has progressed in the past and also in which areas progress has been rather sluggish. They also clearly show the real foundation for continued advances in the future, as well as the key points for a further deepening of the reform. On this basis, it will be possible for us to ascertain ways and methods for a modification of the business mechanism in our enterprises.

Specific Forms for State-Owned Enterprises With Individual Responsibility for Profits and Losses

Enterprises with full responsibility for their own profits and losses must be realized in specific forms. Whether there are profits or losses, the subject concerned is always an enterprise. To have enterprises assume individual responsibility for profits and losses, we must grant enterprises the right to earn profits and the ability to bear losses. However, since the assets of state-owned enterprises belong to the whole people, what is actually the substance in which the enterprises incur losses? How are they incurring losses? This is indeed the problem that we have to resolve in deciding on the actual form for state-owned enterprises with individual responsibility for profits and losses. Here, the organizational system of corporations, which is a modern system of property organization for enterprises, can serve us as a model and reference.

The corporate organizational system is the main legal form of enterprise organization under the market economy system. The corporation, which we are referring to here, is distinctly different from the many so-called corporations in present-day China which are only corporations in name, but actually enterprises owned by the whole people, especially those companies that are in true nature nothing but government agencies. The corporation that we are referring to here are established and operated according to the principles of the Company Law. There are three principles, namely:

First, enterprises shall have the status of a legal persons, and as such independent of the investors in the company. This comprises such facts as that the enterprise, as a subject of civil legal relationships, has proprietary rights over the assets of the legal person, and that it is the subject owning the assets of this legal person, the enterprise.

Second, the company shareholders bear a limited responsibility for the liabilities of the enterprise, i.e. they bear responsibility for the liabilities of the enterprise up to the amount of their investments.

Third, the director's responsibility of trust, i.e. on the basis of the trust placed by the shareholders in their board of directors, the directors manage the property of the enterprise in the form of an entrustment. Correspondingly, the directors must take the interests of the company as the one and only guideline for all their actions.

It is precisely on the foundation of these principles that the company may, in accordance with the principles governing

the assets of legal persons, become the subject owning assets of an enterprise constituted as a legal person, and thus be capable of truly assuming responsibility for profits and losses.

It is absolutely possible for us to adopt these principles in our efforts to find a form that will allow us to realize the responsibility for profits and losses in the case of state-owned enterprises. It would require transformation of the state-owned enterprises according to the corporate system. The state will then represent the whole people and will, in its status of shareholder, assume responsibility for each enterprise only limited up to the amount of its investment. On the basis of holding assets as a legal person, the enterprise will then also be itself individual responsible for profits and losses.

After transformation according to the corporate system, the state-owned enterprises will be different from enterprises owned by the whole people in the following ways:

First, the responsibility of the state will have changed from an unlimited to a limited one. Whenever nowadays a loss is incurred in an enterprise owned by the whole people, it is generally either left as a debit account, or taken care of by a fiscal subsidy, the state thus still bearing an unlimited joint responsibility for the liabilities of the enterprises. If it is a corporation that incurs losses or suffers insolvency, the state will no more be again directly called upon to straighten things out, but matters will have to be taken care of by the board of directors, who are representatives of the shareholders, or assets will have to be used as collateral for new loans to pay off the old debts, or part of the proprietary rights will have to be yielded by absorbing new shareholders, who will then inject new capital; or there will have to be a settlement through bankruptcy procedure, where the remaining assets will be used to offset some of the liabilities. In this way, the state, as shareholder or as one of the shareholders, will bear responsibility for the enterprise concerned only limited up to the amount of its investments in it.

Second, the representatives of those who own the enterprise are moved from their position outside the enterprise into positions inside the enterprise. Presently, ownership rights in enterprises owned by the whole people are exercised by governments of different ranks and relevant departments, respectively, but governments and relevant departments remain outside the enterprises and cannot become organic components of the enterprises. In the case of a corporation, the state will be shareholder, or one of the shareholders, and as such will entrust directors to form a board of directors, to represent itself, the state, and thus become an organic component of the enterprise. In this way, binding commitments by owners on the enterprise will no more be imposed from the outside but from the inside of the enterprise, and a mechanism will be established in which

owners, managers, and workers will be in a state of a mutually restrictive equilibrium.

Third, enterprises will change from legal persons in name to legal persons in reality. To become legal persons, the primary condition for enterprises is that they are able to independently bear civil responsibilities, i.e. that they may use their own assets to make good losses and repay debts. Enterprises owned by the whole people, on the other hand, have only managerial rights with regard to the assets entrusted to them by the state; they are not authorized to use assets to make good losses or to repay debts. Enterprises owned by the whole people are therefore unable to truly independently bear civil responsibilities; they are legal persons only in name. In the case of a corporation, where representatives of the owners are located right inside the enterprise, they can pledge the entire property for enterprise liabilities, while owners bear responsibility only up to the amount of their investments. This will enable the enterprise to bear civil responsibilities truly independently, and enable it to become an independent legal entity, thereby fulfilling the basic precondition for becoming an entity in the market competition.

Fourth, realization of the separation between government administration and enterprise management. Under the condition of the present system of ownership by the whole people, it is actually the government that exercises the functions of "enterprise boss," and that simply has to exercise direct management of the enterprise. Under the conditions of the corporate system, the government exercises the function of a "shareholder," allowing only an indirect management of the enterprise, namely influencing policy decisions of the company and implementing the government's own intentions only through the representatives of stockholders' rights entrusted to do so by the government itself, or by participation in the board of directors of the company. On the rights and obligations of shareholders and the trust responsibilities of the directors, there are definite provisions in law. There is thus an institutional foundation for the separation of government and enterprise functions and for the shift in government functions.

After conversion according to the corporate system, the state-owned enterprises will break out from the former enterprise framework, the system of ownership by the whole people, and will operate under the completely new framework of the Company Law, with the following effects:

First, the enterprises will be responsible for their own profits and losses, leaving behind all the odd pitfalls faced in the reform of the state-owned enterprises. When state-owned enterprises are transformed according to the corporate system, it means that the state is representing the whole people as a shareholder and bears limited responsibility in each enterprise up to the amount of its investments, and that it also authorizes the directors to manage the enterprise. The enterprise will then, on the grounds that its assets are owned by a legal person, be

responsible for profits and losses. The largest binding commitment of an enterprise is responsibility for its own profits and losses, and this fact will prevent misuse of managerial rights and erosion of state property. All this will cause a change in the condition of the state-owned enterprises, which used to be one of "relaxing strict controls leading to chaos, chaos leading to imposition of strict controls, strict controls threatening strangulation, threatened strangulation will evoke screams for relief, screams for relief will again lead to relaxation of strict controls."

Second, it will help straightening out the ownership relations. Effective transformation to the corporate system requires of necessity that the ownership relations between government and enterprises be straightened out, so as to clearly define the ownership mechanism of the government, and to clarify that stockholders' representatives are delegated to participate in the board of directors of the enterprise.

Third, it will create the preconditions for the separation of government administration from enterprise management and for autonomy of the enterprises in the management of their business operations. The separation of government and enterprises can really come about only if government and capital are separated, while there is a unison of capital and enterprises. The transformation to the corporate system demands separation of government and capital and a unison of capital and enterprises; that is a precondition for the separation of government and enterprises. At the same time, the separation of ownership right and management right must be assured internally within the enterprises by clear and firm institutional norms and the organizational structure. This is necessary in order to eliminate administrative interferences by the government through inappropriate actions against the enterprises, and to provide reliable organizational and institutional conditions to ensure autonomy of the enterprises in their business operations.

Fourth, enterprises can only become truly market oriented after assuming individual responsibility for profits and losses. Since it is actually the state that assumes all responsibility for profits and losses in the case of enterprises owned by the whole people, and since this responsibility is not followed through with consistency, more and more enterprises orient toward the government and not toward the market, and, although the government might want to move them in the direction of the market, it may not necessarily be able to do so. After assuming individual responsibility for profits and losses, their orientation toward the market may become an inherent demand posed by the very desire to survive and develop.

Fifth, the system of responsibility of management and of staff and workers in enterprises for profits and losses will in future be more consistently implemented. It will promote enterprise efficiency and increased profits. Because the owners are themselves inside the enterprises, ownership restraints will be stricter, and it will be much easier to delimit the responsibilities for profits and

losses as between the management and the staff and workers, forming an even more efficient mechanism of encouragements and restraints.

Moreover, there will also be the effects of greater flexibility in the business operations of the enterprises and more fair competition between the various types of enterprises.

Ways and Methods for the Modification of the Management Mechanism of State-Owned Enterprises

1) Ways of Modifying the Business Mechanism of Enterprises

There are two possible ways of modifying the business mechanism of enterprises: One is to have all the state-owned enterprises together effect modification of their business mechanisms through a coordinated all-encompassing and deeply penetrating reform. The other is to effect the modification of business mechanisms separately in batches in accordance with the different specific conditions of each enterprise.

To have the modification of business mechanisms brought about in one common action would of course be the ideal way, but there are two problems with this: First, a comprehensive, all-encompassing reform sets high conditions, poses great difficulties, and requires a long time to accomplish. Second, some enterprises which are already ready for a modification of their business mechanisms may miss the favorable opportunity if forced to wait. The modification of enterprise business mechanisms separately in batches would therefore be a more realistic alternative, as we start out in our considerations from the realities of the present condition.

The modification of business mechanisms in separate batches requires a firm grasp of three important points: First, the specific analysis of the market environment faced by each enterprise, the need to adroitly guide action according to circumstances, and the need to broaden the autonomy of the enterprise in question in its business operations. Second, making full use of every favorable opportunity, effecting various typical structural reforms of enterprises, and pushing on with enterprise responsibility for profits and losses. Third, the government must consciously change its functions, reform the management system, and provide favorable external conditions for the modification of the business mechanisms of the enterprises.

2) Methods of Modifying the Business Mechanism of State-Owned Enterprises

Transforming the state-owned enterprises according to the corporate system is an effective way of modifying the business mechanism of enterprises, especially of the large- and medium-sized enterprises. It is, of course, not so that all state-owned enterprises are to be transformed according to the corporate system. A large number of small-scale enterprises in the retail trade, the food and beverage trade, in service trades, and small industrial enterprises can, by

means of selling their property rights, change into collective enterprises, partnership enterprises, or privately operated enterprises, and can also through long-term leases change into state-owned privately operated enterprises.

Transformation of state-owned enterprises according to the corporate system requires differentiation between the different specific conditions of the enterprises concerned, and adopting different forms of corporate organization, such as mainly the following three: fully state-financed companies, companies limited by shares in which a publicly owned legal person holds shares, and a company limited by shares in which the majority of shares are publicly owned. In more detail:

The form of fully state-financed companies could be adopted in the case of some enterprises which must really be financed and started by the state, such as large-scale items of infrastructure, enterprises of poor profitability, which will not attract private investments, but which simply must be developed, and some other enterprises for which sufficient private investments could not be found.

A large part of the state-owned large- and medium-sized enterprises could be transformed into companies limited by shares which are being held by a publicly owned legal person.

Through such forms as having the internal staff and workers becoming shareholders, specific legal persons subscribing to the shares, etc., some state-owned large- and medium-sized enterprises could be transformed into companies limited by shares in which the legal person holds all shares, with a preponderance of public ownership, or in which the internal staff and workers hold all shares.

Through such forms as offering shares to the general public and thereby raising capital, a smaller number of enterprises could be transformed into companies limited by shares, where the shares are subscribed by the general public, while still maintaining the preponderance of public ownership. A small number of these could be companies whose shares are offered in the stock exchange.

At present, China has already a series of documents of a policy nature concerned with companies with limited liability and companies limited by shares, documents which provide initial policy bases and action norms for the transformation of state-owned enterprises according to the corporate system. However the following points have to be emphasized when transforming state-owned enterprises into fully state-financed corporations:

First, the fully state-financed corporation itself may adopt a variety of organizational patterns. One would be the form of a single directly government-oriented company; others could be in the form of state-owned holding companies, state-invested stock companies, conglomerates of companies, etc. Through their nature of holding

companies, through partial stock holdings, and through mergers, these types of companies could induce a large number of state-owned enterprises, by becoming subsidiary stock companies, to modify their mechanisms. Another pattern would be that the government entrusts management of its fully state-financed company to a conglomerate, so that management of the company in charge of state property will become fully state-financed subsidiary company of the state's holding company.

Second, during the initial phase of converting enterprises into corporations, more trades and enterprises may adopt the pattern of fully state-financed companies. Transformation of state-owned enterprises into fully state-financed companies will turn the enterprises into companies operating in accordance with the provisions of the Company Law. This would be beneficial for the separation of government administration and enterprises management, for greater autonomy of enterprise management, and for their assuming individual responsibility for profits and losses. It would furthermore lay the foundation for an intensified promotion of the shareholding system. In a long-term point of view, the state should control a small number of holding companies and conglomerates of extensive economic strength, and through these induce development of a large number of medium- and small-sized enterprises, be they state-owned or of mixed ownership.

Third, fully state-financed companies should operate on the board-of-directors system, which should then be the ownership organization of the fully state-financed companies, to decide on all important policy decisions concerning production and business operations. Members of the board of directors should be selected, appointed, and recalled by the organization authorized by the government to represent it in matters of state-owned property.

Fourth, there is a need for specialized laws, regulations, or policies to standardize the responsibility-power-interest relationship between the government, the board of directors, and its members. These laws may be similar to those in other countries, where such laws are specially promulgated with regard to state-owned companies. For instance, for the Renault Company in France and for the Yi-li [phonetic] Company of Italy, the governments promulgated special regulations to determine the relations between the governments and the enterprises. The fundamental characteristics of these laws are that they were formulated by the governments in their statuses as owners, and that they mainly regulate the relation between the state as ultimate owner and the board of directors. This is in fact a system of management responsibility of the board of directors. The companies themselves are still established and operated according to the uniform principles of the company laws.

Fifth, under the present conditions of having none of the above-mentioned laws, it is still possible to adopt one of the more developed responsibility patterns, such as the property management responsibility system, to handle

the relationship between government and companies, as effective mechanisms of encouragement and restraint.

Accelerating Supplementary Reforms, Spurring on Enterprises To Become Subjects of Market Competition

Modification of the business mechanism of enterprises and having enterprises become subjects of market competition cannot be achieved in isolation; it requires an acceleration of supplementary reforms of related structures.

Accelerating changes in government functions, establishing effective systems of economic management and of management of state-owned property

First, separating the functions of the government as owner and its socioeconomic control functions. From a long-term point of view, it is necessary to single out the ownership functions, which are now exercised by various departments, and have all ownership functions and responsibilities taken care of by a single state-property management department and business organization, while all other government agencies will then only exercise the socioeconomic control functions.

Second, agencies exercising socioeconomic control functions should simplify the organizational structure and change functions according to the principles of greatest possible simplification, uniform action, and greatest efficiency. From a control of microeconomic activities they should shift to the control of macroeconomic activities; from direct controls they should change to indirect controls; from sectional controls they should change to the control of specific trades.

Third, departments and organizations exercising functions of ownership over state-owned property are exercising control functions and operational functions with regard to state-owned property rights. Management and operation of state-owned property must gradually be transformed from the former direct possession of the assets as material objects to the management of value in the form of capital. This would be beneficial for the interchange of property between enterprises and the optimization of organizational structures, also beneficial for the realization of high economic benefits from the operation of state-owned property and its reproduction, while ensuring maintenance of values.

Providing Enterprises With an Equitable Market Environment, Establishing an Effective Mechanism of Market Competition

Realizing the survival of the fittest through competition is the most effective force in the operation of the market economy. As subjects in the market competition, enterprises must all effect selections and conduct their business operations under the restraints of the active competition. The most conspicuous function of active competition is to spur on enterprises, induced by the profit motive, to adopt the most advanced technologies, to reduce production costs, to raise productivity, to

continuously improve own business proficiency and developmental capabilities, and to raise managerial efficiency. Establishing an effective mechanism of market competition in China urgently requires reforms in the following areas:

First, the pricing system has to be reformed, planned control of pricing has to be gradually abolished, and a system of price formation has to be instituted based on the law of value and reflecting the fluctuations of supply and demand in the market, so that price signals can more accurately reflect the supply-demand relationship in the market, which, in turn, will lead to the rational distribution of resources.

Second, it is necessary to institute a sound market system, and to establish as soon as possible a sound, unified, and free market system for the key elements of production. Measures would have to include establishment of commodity markets, materials markets, technology markets, information markets, capital markets, labor markets, property markets, etc., so that enterprises would obtain the key elements of production and organize production and business operations mainly through markets. It is necessary for this purpose not only to continuously deepen the reform of the planning, pricing, and circulation systems, but also to accelerate the reform of the investment, banking, labor, personnel, and property control systems, to conform with the pace at which the enterprises will move toward the market and to meet the need of the enterprises for autonomy in business operations.

Third, it is necessary to implement a true and comprehensive bankruptcy system, to establish a mechanism to ensure survival of the fittest among enterprises. As far as the enterprises are concerned, the most compelling external pressure in active market competition is the principle of survival of the fittest. It is impossible to have true competition without the possibility of bankruptcy and without the elimination of inferior enterprises, because otherwise all enterprises would stagnate at one level. It would also lead to a weakening of the internal incentive in enterprises to improve their business management in the course of the competition, to adopt advanced technologies, and to maintain developmental logistics. It is for these reasons that instituting a bankruptcy system and establishing a system of eliminating the inferior is an effective way to encourage progress, to spur on laggards, and to raise the social productive forces. It is also the fundamental way to optimize the organizational structure of enterprises and the economic structure in general, and to raise the overall efficiency of the national economy.

*Detaching Social Functions From Enterprise Operations,
Establishing a Sound Social Security System*

It is necessary to adopt a variety of measures to detach social functions from enterprise operations and to lighten the excessive burden on enterprises. Establishment of a sound social security system will provide a

secure social environment for the free mobility of personnel and for the survival of the fittest among enterprises. The establishment of the social security system must conform with the developmental rules of social insurance. It is necessary to gradually improve the degree of socialization of the social insurance in such areas as care for the aged, health care, and unemployment, and we must set up a system of an overall social insurance fund, with rational contributions from the state, the enterprises, and the individuals. It is necessary to establish a unified system of social insurance. The social insurance shall be separated from government affairs. The department in charge of social insurance shall, from a macro-viewpoint, effect control of policy, institutions, and standards. The organization entrusted with the management of social insurance shall conduct all affairs regarding social insurance, and shall be responsible for the accretion of the fund, while ensuring maintenance of its value.

*Appropriate Handling of Some Problems Brought About by
the Modification of the Business Mechanism of Enterprises*

Appropriate handling is much needed with regard to some problems in connection with enterprise bankruptcies and some problems of staff and workers losing their jobs. It is also needed with regard to the problems of placing personnel, problems that have arisen in the course of the reform of government organizations of various ranks, and with regard to the problem of bad debts and accounts of enterprises in disarray. All this to ensure the smooth accomplishment of modifying the business mechanism of enterprises.

FINANCE, BANKING

Commentator on Interbank Loan Standardization
93CE0860B Beijing JINGJI RIBAO in Chinese
19 Aug 93 p 1

[By editorialist Sun Yong (327 0516): "Interbank Loans Should Be Regulated, the Market Should Be Invigorated"]

[Text] As an important component of regularizing financial processes, work is now underway among financial organizations to put in order and recover illegal interbank loans. But some localities and departments are suspicious: Will it mean tighter currency? What future effects will it have on the interbank loan business? Many leading cadres have these suspicions, and if these points are not clarified, the future conduct of business will certainly be affected.

Clearing up and recovering illegal interbank loans is an important step in strengthening macroscopic control of finance, by strictly controlling the gross amount of credit. Regarding the original meaning of an interbank loan, it is a short-term measure through which similar

financial organs provide mutual capital support; nonfinancial organs and individuals are not qualified to participate. According to regulations from financial department directors, capital used to pay out interbank loans is limited to payment of deposit reserves, leaving a fixed amount of provisional funds and returned expired loans to the Bank of China; the capital taken in on interbank loans can only be used to meet temporary cash flow needs, such as shortfalls for bill payments, etc. There is a strict ban on using money taken in on interbank loans to make fixed capital investments, purchase negotiable securities, to operate engage in real estate transactions or purchase stock shares as enterprise investment. These regulations are necessary in order to guarantee the short-term and circulatory character of interbank loans, and also prevent a loss of control of the gross amount of credit. The problem now is that some financial organs are making illegal interbank loans by circumventing the scale of credit, using a significant of capital for fixed capital investments. This means that short-term capital is used for the long term, the bank's credit balance is destroyed, and affects the capital usage of national key construction projects. It also carries the danger of enlarging the gross amount of credit. It can be said that this kind of interbank lending has lost the original meaning of lending.

Clearing up and recovering illegal interbank loans is intended to regularize the interbank lending activities of financial organs, bringing them back to correct procedures. Putting things in order this way is not a case of tightening currency, but a structural adjustment, moving some capital from an unsuitable place to a correct place. Regularizing interbank lending among similar businesses will compel those bodies which engage in interbank lending to obey common trade regulations, rather than each following its own path in interbank lending, for however long they choose. We cannot put an active capital interbank loan market in opposition to essential market control; it is wrong to think that the market is absolutely free. Think about it: is there a country where the capital market operates blindly, without governance? Of course, clearing up and recovering illegal interbank lending must change some localities' and departments' capital usage situation by drawing back capital to national key construction projects. Therefore some localities and industries will be affected, especially some overheated real estate projects which will start to cool down. This could be considered a kind of structural tightening, cooling down that which is unsuitably hot and heating up that which should be hot through regularizing interbank lending. Meanwhile, we must admit that a part of the interbank loans have been used on "bottle neck" projects in energy, transport and raw materials, so when clearing up and recovering illegal interbank loans, they should receive special treatment. But, even using capital in this way, it should go in by the "front door," put into the national united fixed capital investment plan, with resolution after coordination. But it should not go in by the "side door," implementing a good thing in a bad way.

Does clearing up and recovering illegal interbank loans this business will not be operating in the future? No. The current clearing up and recovering of illegal interbank loans will not lock up the capital market but will totally enliven it through the routine of regulation. China is a country with a vast area, as there exists a lack of gross capital and a difference in how capital is used at different times between regions and financial organs. By taking advantage of these timing and regional differences, mutual support capital can go a long way towards resolving imbalances of capital and increase efficiency of capital use. Developing regularized interbank lending is not only an important component of constructing a socialist market economy system, but also an important tool in strengthening and improving macroscopic control of finance, especially its indirect adjustment. We will not only not abolish interbank lending, we will continue to perfect and develop it, making the fullest use of its important role in guiding capital flow, reasonable allocation of capital, and perfecting the capital mix. Development of an interbank loan market should be linked and carried out in coordination with transformation of the financial operation system in microeconomic reform of credit administration in macroeconomic reform. Through necessary laws and regulations, the operations of interbank lending should be regularized and perfected. It is especially important that the guiding economic concepts and detailed activities of governments at all levels be coordinated constantly with the state's macroeconomic control of the economy. Only in this way will a truly regularized and active interbank loan market be formed and carry out its proper functions.

Interbank loan must be regularized, and the market must be active. Inappropriate practices must be stopped, and appropriate practices protected. This is our conclusion.

INDUSTRY

Trends in Machinery Product Market

93CE0898B Beijing JIDIAN RIBAO in Chinese
8 Sep 93 p 2

[Article by Ban Ruping and Xie Baoning: "Current Trends in Market Demands for Machinery Products—Sales Leveling Off, Prices Falling and Some Returned Sales"]

[Text] With the gradual implementation of the major policy decision made by the central authorities on macro readjustment and control, the state has placed the scale of investment in fixed assets under strict control, rectified the economic order, and readjusted the propensity to invest in and optimize the industrial structure, in order to ensure the rapid and healthy development of the national economy.

Under this situation, some new changes have taken place in the machinery industry which play a significant role in supplying equipment for the development of the

national economy. Such changes merit the full attention of various machinery enterprises and the authorities at different levels.

According to our studies in more than a dozen provinces and municipalities including Hunan, Hubei and Liaoning, the demand on the machinery market is still strong in general. There have been no major ups and downs. In particular, sales of high-grade name brand products, new and high-quality equipment, and machines that are needed for the development of key construction projects in the country, remain brisk. Nevertheless, the market demand for some machinery products has begun to fall and the prices have started to drop. In a few localities, orders filled according to contracts have been returned. In accordance with the current trend, a steady growth is still expected in the machinery industry for the second half of this year, and a major decline is not likely, but the rate of growth will be low.

To sum up, the trend of the market for machinery products is manifested as follows:

1. Brisk sales began to level off. As seen from the entire situation in demand for machinery products, sales began to rise in late 1991, and remained brisk until April and May this year. The supply of some name brand good-quality products has fallen short of demand. The sales of some machinery products began to fall in May and June, and a large number of products originally in great demand began to level off or slow down. The signs are: "Sales of products in great demand began to level off. There is little chance for products in average demand to rebound. Slow-selling goods remain sluggish in sales." The prices of machinery for engineering projects, farm machinery, metal cutting machine tools and motor vehicles that have been in great demand since last year, have dropped on a comparatively large scale.

Surveys of markets for machinery products in Shandong, Hunan and Guangdong show that the ratio of major machinery products in Shandong, of which sales are brisk, average or sluggish, changed from 50 percent, 40 percent and 10 percent respectively during the first half of 1993 to the current ratio of 30 percent, 50 percent and 20 percent. Surveys of over 100 major products in Hunan show that 54 percent of the products were in great demand, while 11 percent of them were slow-moving before April. The market began to slow down after May. Sales of some products that were originally in great demand started to level off or become sluggish. It is expected that during the second half of 1993, 25 percent of products will be in great demand, 50 percent of them on the average and 25 percent of them slow-moving. Among the nine sectors of the machinery industry in the province, sales of motor vehicles, machine tools and farm machines dropped on a large scale. Since August, most machinery and electrical equipment have not been selling well except that few products such as Roots blowers, quarto offset printing machines, large and medium-sized electric motors, transformers, telephone cables, high-voltage switch boards and power generators

are still in great demand. Sales of most of these products are still declining. According to information from the Shunde Diesel Engine Plant in Guangdong, the sales of walking tractors have sharply dropped, affecting the sales of Model 190 diesel engines, which are a part of the tractor. The plant sold 8,000 to 9,000 such engines each month during the first quarter in 1993. Now it only sells about 2,000 each month.

2. Prices began to drop. During the first half of this year, the prices of a considerably large number of machinery and electrical equipment varied according to market demands, because such products were in great demand. Prices were increased several times, and enterprises which manufactured them reaped a great deal of profits. Right now, there is less market demand for machinery and electrical equipment. In order to keep pace with the market changes, some factories have tried hard to maintain their market shares during the fierce competition. One of the measures they adopt is to lower the selling prices and sell the products with a lower profit margin. As compared with the first half of this year, prices for products such as metal cutting machinery and motor vehicles are lower now. Price fluctuation according to market demand is a normal phenomenon, but right now there is an unhealthy trend of enterprises vying with one another to reduce prices in selling their products. For example, the Hunan Motor Vehicle Refitting Plant has greatly reduced prices in order to increase its market share in Shaanxi and Sichuan. It has reduced its price by 6,000 yuan in refitting a vehicle. In addition, the Yunnan Prefectural Motor Vehicle Refitting Plant and the Suizhou City Motor Vehicle Refitting Plant have dropped their prices by 1,000 to 2,000 yuan for refitting each vehicle. This form of price competition can easily create a vicious cycle, causing financial losses to the state and the enterprises. However, the enterprises have little choice. They have to do so in order to maintain their market share.

3. Customers have returned or refused goods. Right now, a few enterprises already have had their sold merchandise returned. On some occasions, customers do not have cash to take delivery of goods, although they do not say anything about canceling contracts. They try to delay in executing contracts. A great many contracts signed with intermediate agencies were not fulfilled. For example, a few enterprises in Liaoning's heavy mining machinery industry received notices from their customers, asking them not to fill the orders temporarily. Contracts signed with intermediate agencies for machine tools were not executed well also. A phenomenon of petrochemical manufacturing equipment and general purpose machinery products being returned has emerged in Shenyang. The Air Compressor Plant produces models 4M12 and 4M20 compressors for chemical fertilizer plants. During the first half of 1993, over 20 million yuan worth of compressors were returned and their deliveries postponed until the next year at the request of the customers. The Jinan No. 4 Machine Tool Plant had nearly 200 grinding machines returned. About

two-third of its customers (who bought approximately 300 grinding machines) said that they would not return any merchandise, but they had no money to take delivery of goods. According to reports from Hubei, there are more contracts signed with commodity circulation departments for general purpose machinery, but not many such contracts were executed. For example, 30 to 40 percent of the contracts of the Chang Jiang Machine Tool Plant were signed with commodity circulation departments. However, 90 percent of such contracts were not executed. Between January and June 1993, the Shanghai Bureau of Machinery and Electrical Equipment recorded returned sales totaling 240 million yuan, an increase of 43 percent over the same period in 1992.

SMALL-SCALE ENTERPRISES

Impact of Financial Reform on Township Enterprises 93CE0834A Beijing JINGJI RIBAO 13 Aug 93 p 5

[Article by Chen Bin: "What Meaning Does Macro Regulation Have for Town and Township Enterprises?"]

[Text] Recently, after central authorities enacted the significant macroscopic regulation and control policy, reactions everywhere were very sensitive and repercussions very strong. How to maintain the powerful momentum of town and township enterprises under the new circumstances of macroscopic regulation and control is a matter bearing on our overall situation.

The central authorities' decision to take the organization of the banking order and consolidation of financial management (this being the source of economic construction) as the point of departure in improving national macroscopic regulation and control is timely and essential and conducive to the creation of a sustained, stable, fast-growing, favorable economic environment. Nevertheless, one should also see that town and township enterprises bear the brunt of macroscopic regulations and control. The current topic of greatest discussion and concern is what exactly is to be done about the last half of the year; during the first half, town and township enterprises maintained a fairly rapid rate of development. This produced some wavering among a portion of the cadres and masses. Focus and reflect on 'four fears': First is the fear of once again putting on the cap of an 'overheated economy.' This is relatively prominently displayed in areas with rapid partial development; a second fear is that of losing the yarn cap to a bird. Some areas that are undertaking rather large projects, worried and in a fix, make historical mistakes; Third is the fear of big starts and big falls. In particular, foundations are quite inadequate and over the past year districts with rather rapid rates facing macroscopic regulation and control seem helpless, without a plan and blaming everyone but themselves; fourth is the fear of variable policies. Even more worrisome are some contract policies that are formulated during a period of expansion, with implementing measures changing at will. Therefore, a top priority is guiding cadres and the

masses to comprehend the situation, reach a common understanding, and maintain a favorable, vigorous condition. Remember, this time last year town and township enterprises' main melody was: Free ourselves from old ideas, ride momentum to the top, accelerate development. Now, we must vigorously begin to press forward despite difficulties, welcome the difficulties and forge ahead, seek solutions, and strive for development. Under the current conditions, fraught as they are with difficulties, we should grasp and inspire zeal, lead onward (correctly lead), and increase the keynotes of control, service, and development. Increased difficulties are also opportunities, as are regulation and control, and along with macroscopic regulation and control, microcosmic stimulation and development are tough, principled concepts. We must discipline our will and guard against ideological backsliding, which leads to management and performance decline. We must not waver in three areas: When emphasizing regulation and control to support microcosmic stimulation in accordance with the concept of standing up, and when stimulating the microcosm do not waver in developing it; when encountering difficulties, we must bolster confidence in township and town enterprises, help people overcome their difficulties, and do not waver in reinforcing the primary status of town and township enterprises; and as much as possible, we must maintain the pace of development of the first half of the year, which will perhaps cause the extent of the downturn to be reduced to its lowest point. Circumstances dictate the way to deal with a situation. Confronting new situations and new issues, town and township enterprises should make appropriate adjustments to their work philosophies in the latter half of the year. They must place particular emphasis on putting an all out effort into the 'four concentrations': First is concentration of time in pursuit of a shareholding cooperative system. Second is concentration of effort to preserve focus. Third, concentrate effort to preserve superior products. Fourth is concentration of time, forcefully reducing enterprise item 3 funds.

Funding is a significant driving force in industrial development. The contradiction that results from fund shortages in town and township enterprises is fully highlighted after macroscopic regulation and control. Subsequently, the money market shrinks and town and township enterprise difficulties mount, which can very likely heat up market production and influence technological transformation and development of the "three outside" enterprises. Thus emerge the negative effects of the "four stops": Stopping production—especially those enterprises with a less-than-appropriate product mix which can be forced to stop production due to funds constraints; stop work—some projects already underway have no choice but to suspend construction; stop running—joint ventures, due to non-availability of central funds, have no alternative but to close down; stop progress—some town and township leaders seek out good projects, but these projects "soak in hot water" due to a lack of funds. Thus, enthusiasm for progressive

projects suffers a disastrous setback. Under the circumstances of a hopeless bank loan situation, we should adopt a tactic of "opening up a shortcut whenever we find a 'dead end.'" First, rely on liberal use of all kinds of favorable higher-level industrial technological transformation inducement policies. Second, rely on extroverted development and bring in foreign capital. In construction projects, using favorable policies and increasing the proportion of foreign investment may in some cases serve to transform joint investments into independent investments. At the same time, we should develop "Chinese Sino-foreign" ventures, expand lateral ties and seek new combined investment objectives. Third, rely on widespread extension of the shareholding cooperative system, forcefully reduce item 3 funds and stimulate the funds supply. Fourth, rely on the "double increase and double economizing" campaign to tap potential income increases from within. Fifth, rely on securing funds for short-term loans in accordance with regulations and within the limits of macroscopic regulation and control and policy permits. Sixth, rely on many channels for lateral lending and borrowing. Seventh, rely on consolidating accumulation mechanisms, not only dealing with consumption and accumulation relations, but even more raising sufficient amounts of all types of funds, according to regulations.

ECONOMIC ZONES

Shenzhen Distribution System Reform Proposed

93CE0880A Guangzhou TEQU JINGJI [SPECIAL ZONE ECONOMY] in Chinese 7 Jul 93 pp. 17-19

[Article by SEZ Distribution System Taskforce members Tang Huozhao (0781 3499 3564), Yan Dakai (7051 1129 0418), Li Ming (2621 6900), and Yu Zhenming (0151 6966 2494): "Recommendations for Shenzhen SEZ Distribution System Reform and Policy Adjustments"]

[Text] "Egalitarianism" refuses to leave in spirit, and "distribution injustice" is still tolerated. This is not only a sensitive economic issue, but also a social problem with very widespread implications. As the "spearhead" of reform, a task of top priority for the Shenzhen Special Economic Zone [SEZ] is to bring order to and improve its distribution system as quickly as possible in order to clear away a major obstacle to intensified reform and economic development.

We have recently done a widespread investigation and study of the Shenzhen SEZ's distribution problems. We hold that reform of the distribution system and adjustment of pertinent policies have become a pressing matter for the intensification of reform and the acceleration of SEZ economic growth.

I. The Key Problems Existing in SEZ Social Income Distribution

While Shenzhen's distribution system reforms began earlier, the system is still not in order, with overall social

distribution injustice and distribution egalitarianism within industries still existing, and state enterprise wage distribution still retaining traces of planned management. As to developing a socialist market economy, Shenzhen's social income distribution still contains the following key problems:

A. State enterprise wage distribution still retains traces of planned management. As long as the Shenzhen labor sector practices enterprise wage-fund management based on the annual wage plan set for enterprises of average monthly wages of 300 yuan per worker, and the banking sector practices a wage-fund collection-registration system, not granting wage withdrawals to enterprises that do not act according to the "Wage Fund Management Manual" or that exceed its approved wages, current operations are unmanaged and unmanageable. Enterprise wage payment forms and means in the SEZ are so varied that it is hard for the government to control them. As the labor sector is understaffed and lacking in oversight, it can only make routine spot checks of whether enterprises are practicing all of the regulations in the "Wage Fund Management Manual." The banking sector has to consider its relations with enterprises, for if banks act strictly in accordance with the "Wage Fund Management Manual," controlling enterprise fund input and output too tightly, enterprises can always speculate with bank funds. Certain enterprise managers who we surveyed stated clearly that such wage-fund management only adds to enterprise troubles, as it cannot control enterprises that wish to pay higher wages and bonuses.

B. The income gap between party and government organs and enterprises is clearly growing, creating feelings of injustice and job insecurity among government functionaries, which is also an objective factor in the "exchange of power for money" corruption phenomenon. Statistics for 1982 to 1991 show that the gap in average monthly wages between government functionaries and enterprise managers has been basically growing year after year, with enterprise managers making 51.6 percent higher wages than government functionaries in 1987, 62.7 percent more in 1988, 77 percent more in 1989, and 78 percent more in 1990. As to enterprise economic efficiency in 1990, economically efficient enterprise managers averaged 120 percent higher monthly wages than government functionaries, while economically inefficient ones made 67 percent more. In other words, even economically inefficient enterprise managers earn higher wages than government functionaries, while civil service salaries in developed countries are 30-50 percent higher than similar-level enterprise employees. Too low wages in government and institutional units is a key factor in the "exchange of power for money," as an "optimized, honest, and effective" government workstyle requires a certain material-based guarantee.

C. The pronounced distribution egalitarianism in state enterprises and government and institutional organs does not contribute to stimulating work initiative among cadres and employees. Shenzhen state enterprise wage distribution roughly follows the government wage order, with

60-70 percent of wages being fixed. The state also stipulates that the incomes of enterprise managers cannot be more than three times that of the wage incomes of ordinary workers, with floating wages and bonuses making up the smaller percentage, and most enterprises adopting the distribution form of "general spreading out among all," which weakens the wage incentive impact. Many of the enterprise managers whom we surveyed reported that it was not that they did not want to widen wage distribution grades, but rather that as soon as they did, those who were accustomed to all eating out of one big pot would go complain to the pertinent government departments. Also, the individual income regulation tax rates are too high, meaning that higher wages bring too many taxes to make them worthwhile. In the current job-graded wage system for government and institutional organs, the highest wages are only twice as high as the lowest, leaving distribution pretty egalitarian when price subsidies, bonuses, and other allowances are included. The overseas administrative wage scale difference between high and low is 10-15 times, with the multiple being even higher in a few developed countries, such as 71 times in Singapore and 20.4 times in the Philippines.

D. The income distribution inequality between mental and manual workers still exists, leaving the value of intellect still not truly expressed materially. In the SEZ society, while professionals are the nucleus of SEZ economic development, they remain a low-income group. From 1988 to 1991 in Shenzhen's 12 industries, the wages of scientific research technicians averaged third or fourth from the bottom. In administrative institutional units, in the five grades of cadres from junior high school graduates to graduate students, the ratio of highest to lowest wages is 1:0.9, and that for similar enterprise employees is 1:0.83. Such income injustice brings psychological discontent to intellectuals, with our survey showing that 59.4 percent of professionals would like to transfer to other units.

E. Unequal competition terms are creating a larger income distribution gap among enterprises and industries. As to enterprise ownership nature, private, collective, and "the three kinds of foreign trade" enterprises enjoy full wage-distribution autonomy, with very flexible distribution systems, leaving their overall income levels necessarily higher than in municipal state enterprises. As to industries, wages are higher in commercial trade and real estate enterprises than in industrial and high-tech ones. Enterprises with foreign-trade rights and real estate development authority, as well as specially-operated ones, such as tobacco and duty-free enterprises, have better economic efficiency and higher wage incomes than those without such privileges. Among all types of enterprises, cadres and employees in listed shareholding companies have higher incomes because they own some shares in their companies, such incomes are hard for all other types of companies to match.

F. Shenzhen's overall wage growth is lagging in relation to its economic growth, and Shenzhen wages are falling in

relation to the national level. In 1985, Shenzhen per capita national income was 3.07 times that of the nation as a whole, while its average annual employee wage was 2.16 times the national level. However, by 1990, while Shenzhen per capita national income was 3.83 times that of the nation as a whole, its average annual employee wage was only 2.03 times the national level. In 1984, Shenzhen's employee payroll accounted for 15 percent of GDP, while the national level was 16.3 percent; by 1992, these figures were 13.4 percent for Shenzhen but up to 16.7 percent for the nation. As such conditions are detrimental to maintaining Shenzhen's stronger attractiveness to all types of domestic and foreign talent, it is necessary to keep overall wage growth in line with economic growth rates.

In addition, Shenzhen employee wage growth is lagging behind price increases. From 1984 to 1985, the employee cost of living index rose 48.3 percent, while average employee wages rose only 10.96 percent. From 1988 to 1989, while the employee cost of living index shot up 73 percent, the average employee wage rose only 13.87 percent. But from 1991 to 1992, the employee cost of living index rose 4.3 percent, while average employee wages grew 6.74 percent.

II. Suggested Reforms and Adjustments of the Wage System in SEZ State Enterprises and Administrative and Institutional Units

A. The Enterprise Wage System

1. The government's enterprise-wage macroeconomic-control goal-model should gradually move toward "enterprise distribution independence, with income tax payment according to regulation." Enterprise income distribution should be based completely on enterprise economic efficiency, with the government's role being to use taxes to regulate income distribution, with no direct interference in any form in enterprise income distribution.

Until state enterprise property rights relations are completely rationalized and enterprises have evolved self-restraint forces, while the government will still have to exercise appropriate control over enterprise wage growth, the control methods will need improvement. The focus should move from controlling absolute payroll amount to controlling payroll growth rate, with control grounds being to maintain synchronized growth of enterprise payrolls and economic efficiency (based on realized taxes and profits), as well as synchronized growth of employee real wages and labor productivity (based on constant-price net output value). We use "synchronized growth" rather than "lower" here mainly because the latter term could be interpreted too flexibly, causing too much arbitrariness by concerned functional departments when examining and approving.

As enterprise realized profit and tax bases differ, paying attention only to linking realized profit and tax growth to payroll growth without reference to starting points might result in new taking of more from the best and inequality of burden. So when linking enterprise payroll growth to realized profit and tax growth, we should divide the linking

ratio based on realized profits and taxes into a number of differentials, so that as enterprise realized profits and taxes rise by grade, they can be linked to payroll growth at higher ratios. This will play an incentive role in encouraging enterprises to realize more profits and taxes and declare enterprise profits accurately.

2. The wage system within state enterprises needs improvement. The major problem remains an essentially unchanged egalitarian distribution order, the breaking down of which will require solutions to the following problems:

a. As the enterprise wage-income structure should better reflect individual contribution, it could be made more flexible in form. Our survey of some municipal state enterprises found that enterprise basic wages (including basic wages, seniority wages, and position wages) made up about 50 percent of wage income, with various subsidies making up approximately 40 percent, and floating wages only around 10 percent. Floating wages in most enterprises actually do not float, having turned rather into a fixed wage. Of the several pieces in the whole wage-income structure, while only position wages reflect individual performance, their spread between high and low is only three times, with the spread between grades being generally about 10 yuan, and the greatest spread only about 20 yuan. As most enterprise wage distribution follows the stereotyped-grade, fixed-criteria system, enterprise managers are unable to adjust income grades to individual contributions. Such a mostly egalitarian wage system makes it hard for enterprise wages to play an incentive role in rewarding industry, penalizing sloth, and fully stimulating worker initiative.

We could consider dividing the state-enterprise wage breakdown into two chunks: 1) Fixed wages, including basic wages, seniority wages, and supplementary wages (set subsidies), with this chunk not to exceed 40 percent of wages; 2) Variable wages, including position wages and efficiency wages, with this income to be no lower than 60 percent of wages. In the variable wages, efficiency wages should be no less than 50 percent. The payment forms of efficiency wages could be made slightly flexible, in order to bring the incentive impact of this part of wages into full play.

b. The wage spread should be widened between enterprise managers and key professional technicians, and ordinary workers and office employees. As enterprise managers and technicians are the key enterprise forces, it is only when their ranks are stable and their initiative high that an enterprise can maintain a high level of management and technology. In this regard, the 3-9 Enterprise Group methods are quite distinctive.

The 3-9 Enterprise Group wage structure consists of basic wages plus position wages. Its basic wages are set by municipal government planning, while position wages are divided into six grades: probation employees are at grade 1, with professionals receiving twice that amount, professional officials four times, departmental manager

assistants six times, departmental managers 12 times, and enterprise managers 18 times. It can be seen that this clearly widens the spread between departmental and enterprise managers and their subordinates.

c. The wage incomes of enterprise managers, including chairmen of boards, presidents, and vice presidents, should not be subject to the restriction of one to three times the average annual wages of the enterprise employees, but rather should practice an aftertax profit-sharing (-commission) system that is closely linked to enterprise economic efficiency. While this commission percentage can be based on the almost-fixed profit-making differences of various industries, being slightly higher for industries with low average profit margins and vice versa, the commission percentage in any case should not be higher than 1 percent of enterprise aftertax profits. If enterprises sustain management-related losses, their managers can receive only basic living expenses.

3. Along with enterprise wage-system reform, we should introduce employee shareholding to make the profit-bonus (-sharing) form another income channel beyond wage income. This method has become a widely used mature system in certain developed countries. In 1988, 1,800 of 1,978 listed Japanese shareholding companies, or about 91 percent, practiced employee shareholding systems. In these companies, shareholding employees made up 45.8 percent of all employees. By 1989, approximately 1,400 unlisted Japanese companies were also using this system. In 1989, about 900 British companies were using the shareholding form of profitsharing, with over 2.25 million participants.

In drawing on overseas methods in combination with our particular conditions to practice an employee shareholding bonus system, we could consider the following:

Listed companies could set aside part of their profits as shares to be bought by enterprise labor unions, after which they would be distributed to enterprise employees based on enterprise responsibility and work contribution, as extraneous bonus income beyond employee wages.

This enterprise labor union shareholding form could be divided into the two types of the trust company form and the stock company form. In the trust company form, enterprise labor unions would use funds to buy shares, and matters such as share purchases, distribution formalities, and share custody, would be entrusted to trust companies, and contracts would be signed between enterprise labor unions and trust companies. In the stock company form, a group independent under civil law would be established outside of the company, and employees would sign contracts to participate; the group would handle the relevant share purchases and distribution formalities, and the shares would be held by the group.

The securities oversight sector and property rights units would have to exercise the necessary control over the percentage of profits set aside by enterprises, in order to keep this part of distribution from exceeding in general 5 percent of enterprise realized profits.

The prerequisite for employee participation in this bonus shareholding should be more than 3 years of service in the enterprise. While the distribution percentages and amounts can be worked out by each enterprise based on its own conditions, they must in any case reflect the principle of encouraging outstanding personnel.

The practice of this profit-bonus employee-shareholding system will contribute to the sharing of management risks by employees and managers, to enhance enterprise cohesion. The Shenzhen Municipal Power Corporation, that is about to be listed, is preparing to use the enterprise labor union collective shareholding method for its distribution of shares to employees. As to internal stock companies and limited liability companies, the profit-bonus form can be employed, with the companies setting aside some profits to be distributed to enterprise employees based on employee responsibility in and contribution to the company. This part of distribution must be controlled by property rights units or company boards of directors, generally not to exceed 5 percent of the company's realized profits for the year. All particular profit-bonus operations of stock companies and limited liability companies should handle the setting aside of enterprise public welfare funds by adding a 5-percent commission percentage to the originally set base.

B. The Wage System in Administrative and Institutional Units

The reform orientation of wage distribution for government-organ employees is to practice a state civil service system through drawing on international civil-service wage-distribution methods, to achieve high pay, cultivation of honesty, and efficiency operations.

1. Our basic orientation in civil service wage reform is the practice of three links:

- a. Civil service wages (salaries) will be linked to national income growth, with civil service salaries to be adjusted according to the criterion of payroll growth not exceeding national income growth (calculated at constant prices).
- b. Civil service salaries will be linked to the price index, with salaries to be adjusted according to the real rate of price increases each year.
- c. Civil service salaries will be linked to enterprise income, with selection of the wage level for similar personnel in state enterprises as the reference link for setting the linking coefficient between civil service salaries and enterprise wages.

2. Until the above plan has been put into effect, certain steps can be taken to resolve the matter of too low civil service salaries: 1) Seniority wages can be raised. The

seniority-based wages of government functionaries could be raised from the current 2 yuan a year to 5 yuan, with no limit on the number of years. 2) Year-end assessments could be linked to material rewards. In 1991, Shenzhen municipal organs rewarded each employee with outstanding job-assessments (15 percent) at 250 yuan, those with job competence at 200 yuan, and those with basic job competence at 150 yuan, with this too small spread among bonus amounts and grades being basically egalitarianism that did not play the role of rewarding the advanced. We recommend that the outstanding be rewarded 1,000 yuan, the competent 500 yuan, and the basically competent 250 yuan, with the primary-personnel rate not to exceed 10 percent, but the secondary-personnel rate being suitably larger. State revenue should set aside a special sum each year as a government functionary reward fund. 3) Party and government organs could practice a unit-set payroll-package system, assigning per-unit authorized size personnel-set payroll bases according to municipal authorized strength, paid to all units monthly. All units should be encouraged to "have three people do the work of five, and pay three people the wages of five," to raise efficiency while increasing incomes.

Our institutional-unit wage-reform orientation is: 1) To draw on the government civil service salary system, to reform the institutional unit wage system. 2) To have most institutional units practice businesslike management as quickly as possible, with liability for both profits and losses, and wages being determined independently according to economic efficiency.

III. Certain Policy Adjustment Recommendations for SEZ Social Income Distribution

Our current basic principles for bringing order to SEZ social income distribution policy should be "efficiency, impartiality, justice, and honest administration." As to particular policy adjustments, we urgently need to resolve the following matters:

A. We should proceed from the special situation of SEZ prices and incomes to adjust the current collection regulations for personal income-regulation taxes in order to eliminate the direct obstacle of enterprises earning more money but not paying higher wages. Our particular adjustment method should be to draw up "Collection Management Enforcement Regulations for Shenzhen Individual Income Regulation Taxes," in order to raise the individual income-regulation tax-collection minimum about 50 percent from its current set base of 700 yuan a month in income, and appropriately lower the progressive tax rate on income.

B. We should clearly confirm that the "commission" system in commercial trade activities is legitimate by drawing up pertinent regulations for receiving commissions, this is in line with international practice. The various "rebate" and "commission" income that is prevalent in commercial trade activities should be brought

out into the open, which will contribute to invigorating and enhancing commercial trade operations and management.

C. We should set up outside the wage system a permanent reward system to resolve the matter of extra income for certain personnel who make particular contributions, which is hard to fully reflect within the wage system. We could proceed from current conditions to first set up five reward systems: 1) A reward system for contributions by scientists and technicians; 2) A reward system for outstanding teachers; 3) A reward system for returned overseas contributors; 4) A reward system for outstanding entrepreneurs; 5) A reward system for honest and efficient service by civil servants.

As to the bonus funding sources for this reward system, we could use the fund form, by starting with state revenue appropriations and gradually moving to mostly public fundraising. The reward funds could also be operated through market listing, so that they would rollover and increase, steadily expanding the reward fund scope and amount.

D. We should establish an individual income declaration system and an individual income tax-return system, as a basic system for combating corruption and stopping individual income-regulation tax evasion and loopholes. We could put such a system into effect first for cadres above the deputy office grade in party and government organs, managers above the assistant manager level in all companies, and officials in institutional units and then, when conditions are ripe, extend it to all levels throughout society.

E. We should improve our social security system, by supporting social insurance fund proliferation, enhancing social insurance fund guarantee-capability, and more effectively supporting intensified reform of our personnel and labor systems.

Shenzhen's current social insurance system has three obvious defects:

1) Civil service pension funds are severely out of line with enterprise pension funds, with the low wages in Party and government organs making old-age insurance fund deductions hard to cover future needs, and a civil service unemployment insurance system not yet having been established;

2) A nonstate-unit employee social health insurance system has still to be set up;

3) The self-employed and the residents in the rural organization of the Baoan and Longgang districts are still not included in the social insurance system.

The social insurance system needs to be actively expanded in these three areas.

Social insurance fund proliferation is a basic condition for developing a strong social security system. To resolve this

matter, we could consider diversified proliferation channels, such as setting up a social insurance bank. Unless we take active and early steps in this area, it will be hard to essentially ensure social insurance fund proliferation.

TRANSPORTATION

Main Railway Projects for Eighth Five-Year Plan

93CE0835A Beijing TIEDAO ZHISHI [RAILWAY KNOWLEDGE] in Chinese No 4, 28 Jul 93 pp 3-4

[Article by Gu Xiaoming, edited by Gao Yurui: "Ten Major Railway Projects of the Eighth Five-Year Plan"]

[Text] In the Eighth Five-Year Plan period, China's railway construction has entered a historical period of great development. The Railway Ministry party group has adjusted the plan on railway construction for the Eighth Five-Year Plan period in accordance with the spirit of the 14th CPC Congress and the State Council leadership's instructions on accelerating railway development, and decided to focus on managing well the 10 major projects in the next three years, striving to complete those key projects ahead of schedule.

Among the 10 key projects are five new railway lines—the Beijing-Kowloon line, Baoji-Zhongwei line, Houma-Yueshan line, Nanning-Kunming line, and Xi'an-Ankang line; two double-tracking projects—Lanzhou-Xinjiang double-track line and Zhejiang-Jiangxi double-track line; and the Beijing-Guangzhou line capacity-expansion renovation project, Datong-Qinhuangdao line supporting-facility project, and Chengdu-Kunming line electrification project. The 10 major projects will all be completed and the relevant lines will be put into operation around 1995. By that time, transport shortage in regard to the northwest and north-south lines, transporting coal out of Shanxi, and East China lines will be alleviated, resulting in improvements in the environment for economic development.

1. The Beijing-Kowloon line (from Beijing to Shenzhen, linked up with Kowloon), another large north-south passageway, is the main railway line which is of the largest scale, which has received the largest investment, and which has the longest line built all at once in China's railway construction history. It was originally planned to be completed in 1997. It is now demanded that rails be laid by the end of 1995 and that in 1996 it share some transport burdens while supporting projects are being built, thereby producing some real results. The acceleration of the construction of this railway line will have important strategic significance for alleviating north-south transport shortages; for accelerating the opening up in economic affairs and economic development on part of the coastal and hinterland regions; for alleviating poverty and enriching the people in the old revolutionary areas along the line; for perfecting the distribution of railway lines and increasing transport capacity; and for safeguarding the stability and prosperity of the Hong Kong and Kowloon region and promoting the

great cause of peaceful reunification of the motherland. The Beijing-Kowloon line is a huge, complex systems project. According to preliminary estimates, investment in the entire line will amount to approximately 21 billion yuan. The provinces and municipalities along the line are responsible for part of the investment, and the rest will come from the Railway Ministry; thus the project is a joint venture. (See this journal, No. 4, 1991 and No. 1, 1993.)

2. The Lanzhou-Xinjiang double-track line (from south of Wuwei, Gansu, to west of Urumqi, Xinjiang) is 1,622 km in total length (120 km of double-track line is now operational). Work started at Hami and at south of Wuwei on 16 and 19 September 1992 respectively. It is planned that the entire line will be operational in 1995. Estimated costs total approximately 4.5 billion yuan. It is a joint venture between the railway sector and the localities. The Railway Ministry is responsible for two-thirds of the funds, and the Xinjiang Uygur Autonomous Region and Gansu Province are responsible for one-third of the funds. The designs for the double-track project are based on considering the line a class-one national arterial line. Internal combustion engines and automatic closing will be used for the entire line; optical cable communication will cover part of the line. During the double-tracking construction, stations in 111 places will be renovated; 155 large and medium-sized bridges will be renovated or built; 2,304 small bridges and culverts will be built; 12 tunnels will be built; the railway bed will involve a total of 28.58 million cubic meters of earth and stone. The construction of this double-track line will have important significance for promoting the economic development of Xinjiang, Gansu, and the northwest region as a whole, and for strengthening the links between the northwest region and Central Asia as well as the eastern regions of China; for strengthening unity among the nationalities; and for consolidating border defense at the northwest frontier regions. With the completion of the double-tracking project, transport capacity will increase from 12 million tons at present to over 30 million tons in the near future, and will increase even more substantially in the long run.

3. The Baoji-Zhongwei line (from Baoji, Shanxi, to Zhongwei, Ningxia) begins at Guozheng at the Baoji junction on the Gansu-Lianyungang railway line, passes through Huating and Pingliang in Gansu, enters Guyuan, Ningxia, and links up with the Baotou-Lanzhou line at Zhongwei, totaling 498.19 km in length. Electrification will be completed all at once. The investment totals nearly 4.1 billion yuan. The entire line has 67 tunnels, with 59.2 km in combined length; 209 extra-large, large, and medium-sized bridges, with 29.3 km in combined length; and over 1,420 small bridges and culverts. The project involved 32.09 million cubic meters of earth and stone. The areas that the line passes through are complicated geologically; it has to pass through such adverse geological areas as those having faults, mud-rock flows, landslides, and collapsing mountain slopes. Work started in the fourth quarter of 1990. It

is planned that rails will be laid in June 1994, that provisional operation will start by the end of 1994, and that the project will be completed in June 1995. The line passes through 13 counties and cities in Shaanxi, Gansu, and Ningxia, links up with such lines as the Gansu-Lianyungang line, Baotou-Lanzhou line, and Lanzhou-Xinjiang line, and is thus a new passageway linking up the northwest with the hinterland, thereby occupying an important place in the railway network. The construction of this line will have great significance for promoting the exploitation of the mineral resources in areas along the line in Shaanxi, Gansu, and Ningxia; for shaking off of poverty and getting rich on the part of the people along the line; for strengthening the links between the northwest region and the hinterland; for enhancing unity among the nationalities; and for consolidating national defense.

4. The Houma-Yueshan line (from Houma, Shanxi, to Yueshan, Henan) begins in the west at the north Houma marshalling station on the South Tongpu line and links up in the east with the Jiao-Zhi line at the Liandong station, leading to the Yueshan marshalling station; it will be one of the important southern passageways used to transport coal out of Shanxi, with 252 km in total length. Work officially started in October 1989. Sections of the line will be completed and delivered separately. The Jiafeng-Liandong section begins provisional operation in March 1994, and electrification will be completed and become operational by the end of that year. The Houma-Jiafeng section will begin provisional operation by the end of 1994 and electrification will be completed and become operational in June 1995. The line is designed to have single-track electrification, while the line will be a double-track one. After the completion of this line, there will be an east-west main railway line passing through Shandong, Henan, Shanxi, and Shaanxi, paralleling the Gansu-Lianyungang railway. In the near term, annual transport capacity will be 20 million tons for the Houma-Jiafeng section, and 28 million tons for the Jiafeng-Yueshan section. This will play an important role in alleviating the shortage of transport capacity in Shanxi.

5. The Zhejiang-Jiangxi line (from Hangzhou, Zhejiang, to Zhuzhou, Hunan), 938 km in total length, is planned for completion in 1995. It links up with the Shanghai-Hangzhou line in the east and the Beijing-Guangzhou line in the west, thereby serving as a link between East China and South China, the two large economically developed regions, and becoming a very important main east-west railway line in the southern part of China. The preexisting single-track line was built before liberation. Despite repeated renovations, annual freight capacity is only 15 million tons. When the double-tracking project is completed, annual freight capacity can increase to over 50 million tons.

6. The Beijing-Guangzhou line capacity-expansion renovation project. The electrified Zhengzhou-Wuchang section is now already operational. The project of electrifying the 695-km Beijing-Zhengzhou section has just got

under way, and the section will be operational in 1995 according to estimates. By that time, the level of electrification of the Beijing-Guangzhou line will be greatly raised. Vigorous efforts will be made to complete the electrification of the southern section of the Beijing-Guangzhou line and the renovations of the Zhubei, Hengbei, and Guangbei marshalling stations.

7. The Datong-Qinhuangdao railway support facility project. The Datong-Qinhuangdao railway is China's first special coal-transport railway which carries heavy-load unit trains and which has double-track electrification; it is the most modernized railway in China and is called "the No. 1 railway of China." Its total length is 653 km. The construction of the Datong-Qinhuangdao railway has important strategic significance for ensuring the transportation of coal out of Shanxi; for accelerating the development of the Shenfu, Dongsheng, and Junggar coal fields; for alleviating energy shortage; and for promoting the national economy's climbing of another step. In 1989-1992, it transported over 132.8 million tons of coal, fully demonstrating its strength in heavy-load transport and showing prominent economic returns. As the entire line is operational, the further perfecting of the supporting facilities will satisfy the demands raised by the operation of 10,000-ton trains, so as to increase annual freight capacity to 100 million tons as soon as possible.

8. The Nanning-Kunming line (from Nanning, Guangxi, to Kunming, Yunnan) begins at Nanning in the east, and ends at Kunming in the west; it links up with Hongguo in the north, passes Pingguo, Baise, and Tianlin in Guangxi and Ceheng, Anlong, and Xingyi in Guizhou, and then reaches Weishe. At Weishe, the line branches off in two directions: one section, in the west direction, passes through Fuyuan, Luliang, Yiliang, and Chenggong in Yunnan Province, and then reaches Kunming; the other section links up with the Pan-Xi line at the Hongguo station. The total length is 898 km. Newly built principal line accounts for 874 km. The entire line is planned for completion in 1997. It is a joint venture between the Railway Ministry and Yunnan Province, the Guangxi Autonomous Region, and Guizhou Province, with total investment of 6.5 billion yuan. Along the entire line, 390 bridges will be built, with 60.8 km in combined length; 250 tunnels will be built, with 191 km in combined length; rails will be laid on 874 km of principal line; and there will be 88 stations. The areas that the line passes through are complex geologically, with swelled ground, landslides, debris cones, mud-rock flows, coal caves, Mollisol, and gas in various places. In addition, a section of over 200 km has to pass through a zone with earthquakes of magnitude 7 or above. The line has China's longest single-track tunnel (the Mihualing Tunnel, with 9,388 meters in length). China's highest pier bridge (the piers are 97 meters in height), and China's first curved-girder bridge. The project is very difficult. Work on the 108-km Nanning-Nali east section started in December 1990; work on the 65-km Shilin-Shijiazui west section started on 19 December 1991. In order to ensure the

completion of the Nanning-Kunming line on schedule with high quality and efficiency, so as to reach new levels in railway construction in the 1990s, the project has been made an item regarding which there will be concentrated efforts to develop new railway construction technologies and to which the technologies will be applied during the Eighth Five-Year Plan period. Twenty-eight scientific and technological research projects have been planned, with all scientific and technological forces being mobilized to tackle the problems. When completed, the line will link up with such railway lines as the Hunan-Guangxi line, Li-Zhan line, and Nan-Fang line in the east, and the Chengdu-Kunming and Guiyang-Kunming railway lines in the west, thereby becoming another main railway line in the railway network in southern China and an important new passageway linking up the southwest with the southern coast. Thus, it can serve as a shortcut through which Yunnan, Guizhou, and Sichuan can reach the coast, thereby having great significance for accelerating regional economic development.

9. The Chengdu-Kunming line electrification project (from Chengdu, Sichuan, to Kunming, Yunnan). The total length is 1,100 km. The Chengdu-Panzhihua section will be completed by the end of 1995, and the entire line will be completed in the Ninth Five-Year Plan period. In conjunction, the Chengdu and Kunming junctions will also be renovated. After the electrification renovation, transport capacity of the Chengdu-Kunming railway will be greatly increased.

10. The Xi'an-Ankang line (from Xi'an, Shaanxi, to Ankang, Shaanxi). The newly built Xi'an-Ankang line will have a trans-Qin Ling tunnel which will be China's longest tunnel, with approximately 18.4 km in length. When completed, this line will be a part of a new north-south arterial line, contributing to resolving the issue of transporting coal and other resources from Shanxi, Shaanxi, and western Inner Mongolia to the southwest region. Thus it will have great significance for the economic development of Sichuan and the development of southern Shaanxi.

AGRICULTURE

GATT Potential Impact on Grain Production, Trade

93CE0856B Beijing ZHONGGUO NONGCUN JINGJI
[CHINA'S RURAL ECONOMY] in Chinese No 6,
20 Jun 93 pp 36-37, 13

[Article by Cao Xiaoning (2580 1420 1337) and Zhu Mei (2612 2734) of the Information Center, Commerce Department: "Prospects for China's Grain Production and Trade After 'Joining GATT'"]

[Text] To what degree will our domestic grain production and trade be affected by China's restoration to position in GATT? We propose to make a general analysis here.

I. "Joining GATT" Will Not Be a Great Shock to China's Grain Production and Trade

1. The current situation of self-reliance on grain depends very little on world markets. China ranks first in the world in gross production output of certain major agricultural products (grain, cotton, pork, beef and mutton), but due to overpopulation, the per capita level is lower than the world average. Regardless of whether we speak of the present or the distant future, China will be the second largest grain importing nation in the world by its imports of 20 to 30 billion jin of grain annually. Let's look at the varieties. In wheat, China is strictly an importer, importing about 25 billion jin annually; this is 11.7 percent of the world's total wheat trade, putting us in third place. For corn, China is mostly an exporting nation, with exports of over 6 billion jin annually; this 13 percent of the world's corn trade, ranking third. When it comes to beans, China is also mostly an exporter, with about 1.8 billion jin annually; this is 14.5 percent of the world's bean trade, ranking second. With rice, China is both a minor exporter and importer, with very little trade volume. However, with a gross import trade volume of less than 4 percent of the nation's gross grain production output, China is mainly in a period of self-sufficiency, with only slight dependence on the world market, which is still in a varietal adjustment mode. Therefore, "joining GATT" will not have too strong an influence on grain production and trade in China.

2. Due to low grain prices, "joining GATT" won't be a great shock. The competitiveness of a nation's grains in world markets hinges on the contrast between its international and domestic market prices. With the existence of dual foreign exchange rates in China, calculations of the eventual influence of "joining GATT" should focus on the adjusted exchange rate, because the adjusted rate is 37 percent higher than the official rate. In the following discussion, we have taken as an example the

average price in the domestic grain wholesale market (wheat, corn, beans) for February, 1993, and compared it with the international market price and the actual export and import prices.

If calculations are made according to the state price, the price of corn was 37 percent higher than recent Chicago futures, the price of soybeans was 52 percent higher than Chicago's, and the price of wheat only 1.3 percent lower than Chicago's. Obviously, China's products would have no competitive ability without the state's subsidy, and this could lead to a great deal of foreign grains flowing into China. But if calculations are made on the basis of prices according to the adjusted foreign exchange rate, the prices of the four major grain varieties are far lower than the international market prices. In addition, looking at the actual import cost, the import prices of wheat and soybeans are higher than wholesale market prices, large quantities of foreign grain products occupying the domestic market will not be the result. (See accompanying chart 1) Meanwhile, the long-term outlook for China's grain needs is for an oversupply, which means large-scale foreign imports would not be the result. Therefore, when domestic grain prices fall below international prices, "joining GATT" should not be too much of a shock to grain production and trade in China.

3. China's low customs duties on grain mean that the lowered tariffs which come with "joining GATT" should have little effect. "Customs Import Regulations," implemented in 1993, stipulated that imports of wheat, grain, rice, and corn would be duty free, and imports of barley, rye, oats, and soybeans are given favorable tariffs. Wheat constitutes over 90 percent of the grains imported into China, so reduction in customs duties after "joining GATT" will not have a major influence on grain trade.

Our overall conclusion is that within a short period after "joining GATT," the production, supply, and sales of grains in China will not be controlled by the international market.

Prices of Principal Grain Varieties, February 1993

Supplemental Table 1							Unit: RMB/Ton
Variety	Domestic Wholesale Market Average Price	World Market Prices					
		Chicago Futures Market		Domestic Export FOB Prices		Domestic Imports CIF	
		Market Quotation	Adjusted Exchange Rate	Market Quotation	Adjusted Exchange Rate	Market Quotation	Adjusted Exchange Rate
Wheat	766.9	777.0	1085.0			860.0	1200.0
Rice	897.3	1257.0 (Bangkok)	1756.0	1203.0	1680.0		
Corn	661.0	481.6	672.4	590.0	824.0		
Soy	1825.0	1204.0	1681.0	1432.5	2000.0	1490.0	2080.0

Note: the state quoted exchange rate was 100:573 for the U.S. dollar to yuan, adjusted exchange rate: 100:800.

II. With Serious Protectionism for Agricultural Products, "Joining GATT" Will Affect Grain Production and Trade in China Only Slightly

Since GATT was established, agricultural products have still basically not been listed into GATT's international trade operations. In the major agricultural product exporting nations of the U.S. and the EEC, serious protectionism and sharp contradictions do exist. Take for example the agricultural policies of the EEC: an important part of its pricing policies are policies protecting against outside elements, with controls on imports at the core. In addition to the control measures of limiting customs duty and quotas, it employs such means as imposing international agricultural products trade deficit tariffs which make it impossible to sell imported products at a price lower than the upper limit price, the "gate frame price" for the same class of products in the EEC. If the international market price is higher than the EEC's price, the import trade deficit tariff will turn into a "sluice gate price," an export trade deficit tariff which controls exports and prevents a high-volume outflow of EEC products. In a situation where agricultural products are in oversupply, the "sluice gate price" is rarely used. In order to encourage imports of surplus agricultural products, the major and important content of external protectionist policies is subsidizing the price differentials between EEC products and the international market price for similar products. This is done to improve their products' ability to compete in international markets. The EEC has not been stinting in its payments of nearly 10 billion dollars annually in subsidies to production and export of agricultural products. In 1990, the amount of money expended by the EEC in agricultural subsidies made up 50 percent of the world's agricultural subsidies.

In the same way, the United States is the world's biggest grain exporting nation, and one of its important methods of cornering the market is through export subsidies. The U.S. Government believes that the EEC's export subsidies are excessive, so that it not only occupies part of the world market for U.S. agricultural products, it is also making it difficult for these products to penetrate the EEC. In the Uruguay round of negotiations between the United States and the EEC, each side stood fast in its position. Japan, Australia, and Canada became involved in this dispute.

The industrialized nations will not by themselves remove the trade protection barriers they have set up to guarantee their agricultural stability and national safety. It will be difficult to implement ordinary operations in international trade of agricultural products within a short period of time for GATT. So, for a time after China joins GATT, grain production and trade will not be influenced greatly.

III. General Outline of China's Grain Production, Trade and Countermeasures After "Joining GATT"

1. China's grain production and trade cannot be marketized completely. Although reform of the grain circulation system is accelerating in China, grain is still a vital strategic asset related to the nation's safety and security, so its circulation cannot be totally marketized. The realities of the industrialized nations has made this point clear. In addition, China is a big country with a one billion population, so it absolutely cannot let its own grain security be controlled by other countries.

In fact, China's grain marketization will require a long-term process; it is not something that can be accomplished in one move. For instance, whether grain marketization is accomplished generally depends on whether the futures market occupy the chief position in the grain exchange. But in China, the base is not qualified to develop a grain futures market. This is because grain producers in China are thousands and millions of small farming families with an average production output ranging from low to 2,006.7 kg. After deducting grain rations, seed grains, and forage grains, the average family's commercial grain output is less than 600 kg. So small a quantity of commercial grain is not worthy of arbitrage and preservation in the futures market. If we build in China a grain circulation system which is focused on a futures market exchange, the government must lead the peasants into operations of scale, permit annexation of lands and exchange of lands, and free circulation of rural laborers, providing those laborers who leave the land with employment opportunities in industry and the funds for job-seeking. However, these issues all involve basic laws, basic agricultural policies, and economic condition which are not capable of resolution in the short term.

2. Countermeasures after "joining GATT." China's grain self-sufficiency status cannot be changed in short time. We must prepare for two possible shocks after "joining GATT."

First, as the grain market gradually opens up, at those times when the international grain market is offering a higher price, a great deal of our domestic grain may flow overseas. This "external flowing" may bring serious consequences when supplies are short on the domestic grain market. We might apply for the relevant GATT regulations: "To prevent or ease serious shortages of grain or other necessary goods, exporting nations may temporarily ban or limit exports," in to strictly control grain exports.

Second, when the international grain market is at a lower price, it could lead to assaults on our domestic market by foreign grain. In this case we can also apply for the methods stipulated by GATT to ease temporary surpluses of certain categories of goods, such as supplying them free of charge or at a price lower than the current market price, implementing import limitations, controlling imports through import licenses, quotas and customs duties, etc.

Guangxi Sugar Price Increases*94CE0085C Chongqing XINAN JINGJI RIBAO in Chinese 21 Oct 93 p 4*

[Summary] In 1992 sugar prices in Guangxi dropped to 1600 yuan per ton. This year the price increased, at present it exceeds 3000 yuan per ton. Reasons for the increase are: Output has declined; exports have increased; and raw sugar imports from Cuba have been slow, recently no sugar has been received.

Henan Wheat Output Increases, Price Drops*94CE0085D Chongqing XINAN JINGJI RIBAO in Chinese 19 Oct 93 p 4*

[Summary] This year gross output of wheat in Henan Province will exceed 9.2 billion kilograms, a 10 percent increase over 1992. As of today, Henan has put 5 billion kilograms of wheat in storage. However, due to a bumper wheat harvest and ample stocks, wheat sales are slow. Henan market prices for wheat are only 0.66 yuan per kilogram, a 6.8 percent drop from the same period in 1992.

But market prices for other grains have increased. Corn is 0.75 yuan per kilogram, an 18.6 percent increase over the same period in 1992; sorghum 0.94 yuan, a 24.6 percent increase; soybeans 2.40 yuan, a 7.0 percent increase; mung beans 3.60 yuan, a 22.1 percent increase; and red beans 4.19 yuan, a 125.2 percent increase. Coarse grain prices have increased because the sown area and output have declined. The corn, sorghum, and mung bean area in Henan declined by 10.4 percent, 17.2 percent, and 19.9 percent respectively from 1992. In addition, demand for coarse grains by the food and feed industries has grown.

Jilin Corn Exports in Third Quarter*94CE0085E Changchun JILIN RIBAO in Chinese 29 Sep 93 p 1*

[Summary] As of 25 September, Jilin Province had exported and shipped to other provinces 2,112,000 tons of corn; 1,154,000 tons were exported. Jilin still needs to export 1,028,000 tons to fulfill its annual corn export assignment.

Ningxia Summer Grain Storage*94CE0085B Yinchuan NINGXIA RIBAO in Chinese 28 Sep 93 p 1*

[Summary] As of 10 September, Ningxia had put 126,960,000 kilograms of summer grain in storage, fulfilling 92.5 percent of the contract order. No IOUs were issued to farmers.

Zhejiang Procurement Price for Rice*94CE0085A Hangzhou ZHEJIANG RIBAO in Chinese 10 Sep 93 p 2*

[Summary] This year the Zhejiang provincial government decided that the guidance price for early rice will be 28 yuan per 50 kilograms, most cities and counties have used this price, with the highest reaching 31 yuan. Although this price is higher than that of neighboring provinces, farm production material prices keep rising. The procurement price is much lower than the costs of production, which not only affects procurement and storage, but also dampens farmer interest to grow grain.

Zhejiang Rural Saving Deposits*94CE0007X Hangzhou ZHEJIANG RIBAO in Chinese 10 Sep 93 p 1*

[Summary] At the end of August, rural savings in Zhejiang agricultural banks and credit cooperatives totaled 31.72 billion yuan, an increase of 4.407 billion yuan over the beginning of the year. Per capita savings were 887 yuan, an increase of 125 yuan over the end of 1992.

Zhejiang 1994 Cotton Area*94CE0007Y Hangzhou ZHEJIANG RIBAO in Chinese 14 Sep 93 p 1*

[Summary] In 1994 the planned cotton area in Zhejiang Province is 1,050,000 mu, and the planned contract order is 1,250,000 dan.

Zhejiang Reports Seed Shortages*94CE0007Z Hangzhou ZHEJIANG RIBAO in Chinese 15 Sep 93 p 2*

[Summary] According to latest statistics, the area sown to hybrid rice seeds in Zhejiang Province is about 60,000 mu, a decrease of 40-50 percent from former years, and shortages will be about 3.5 million kilograms. It is estimated that this year the per unit area yield will not exceed 100 kilograms, a 33.3 percent decrease. In addition to a weak seed market and abnormal weather, another reason for the shortage is that some areas have not received bank loans to procure seeds. One official noted that seed output is getting lower and lower, and seed quality is getting poorer and poorer.

Intellectuals Advantaged in Business Operations

93CM0457A Hong Kong TANG TAI [CONTEMPORARY]
in Chinese No 29, 15 Aug 93 pp 102-103

[Article by Ch'en Ping: "Intellectuals' Going Into Business Has Reached Fairly High Levels"]

[Text] **Editor's note:** In the 27th edition, this magazine published Mr. Cheng Ming's article, "The Going-Into-Business Mentality of Those Who Feel Depressed—Chinese Intellectuals After the June 4th Incident." This article reflects some aspects of the domestic situation. Mr. Ch'en Ping does not agree with the views presented in the article, and wrote a letter in order to discuss the issue. This magazine now publishes the letter so that those holding different views can benefit from each other's comments.

In the 27th edition, your magazine published the article, "The Going-Into-Business Mentality of Those Who Feel Depressed," which aroused profound emotional reactions on my part. Nevertheless, I believe it is a bit too emotional to describe intellectuals' going into business as a post-June 4th course of action to "try to accumulate financial resources for the democracy movement through economic activities"; I do not agree with this view. As Chinese Teachers' Day is approaching, I would like to use your magazine's space to express the views of some university intellectuals who have gone into business.

Incapable of Resisting the Temptation Generated by "Sugar-Coated Shells"

In our view, intellectuals' going into business surely has its political and social background and reasons, and is also a hard-won "achievement of education." However, the education involved here is "reverse education" which teachers have received from society. Seeing that their neighbors and even their students are running companies or conducting marketing operations, swimming freely in the "ocean of business" just as fish swim in water (but people do not know the difficulties they have to face), the "engineers of the human soul" who have long been staying in the "holy land of spiritual civilization" can no longer resist the temptation generated by the "sugar-coated shells," and have begun to come out of the pyramid, turning to economic activities.

In the first nine months of 1992, in Shanghai alone nearly 200 professors went into business and became "business owners." Up to now, over 500 "professor companies" have been established in Shanghai, with their business booming. There are innumerable such companies nationwide. Almost all the capable people have engaged in some business activities several times each.

Redressing the Erroneous Way of Distributing Income Between Mental and Manual Laborers

Intellectuals have gone into business, first of all, for the purpose of redressing the "inequality" between the "atomic bomb" and the "tea-flavored egg," and between the "scalpel" and the "haircutting scissors" or "butcher's

knife" (If the state is unable to resolve the problem, then one has to rely on himself). A macroeconomics professor at the East China Normal University had written two economics monographs through five-six years of work, but was unable to get them published for over a year. The reason was very simple. Publishing the two books required 10,000 yuan in support funds. Where could a teacher get 10,000 yuan? The professor became helpless because of that. In early 1992, stock trading was booming in Shanghai, and that professor took part in the trading activities in a timely way. He made a great deal of money in six months. Now, he has published the books that he wanted to publish, and his family's conditions are improving daily; as a result, his wife and children have also begun to express satisfaction with him. He, a person who previously could only find self-satisfaction in his own study, can now also feel proud of himself in regard to his whole life.

Shaking Off Poverty and Proving Oneself

In fact, most intellectuals have worried that "science will decline," and that "civilization will degenerate." Thus, the original motive for going into business has been only to better their living conditions, for these "engineers of the human soul" have been truly hard up at times. Compared with other people, they have been truly poor; but poverty is exactly the best teacher.

A small number of intellectuals who didn't have many burdens in life (or totally ignored the existence of burdens) originally wanted mainly to prove their capabilities and to shake off the tendency toward engaging in self-mockery, such as saying "scholars are totally useless." As a young scholar who had just got a master's degree and who had refused to accept an "arrangement" [arranged job assignment] said, "I just don't believe in it . . ."

Strengths Relating to Science and Technology As Well As to Knowledge

However, intellectuals do not lose their status as intellectuals by going into business. Companies run by professors are of course different from restaurants and companies run by individual business operators and private business owners.

Currently, when engaged in business activities, intellectuals on the mainland tend not to forget to exploit their strengths relating to science and technology as well as to knowledge. At least they all purposefully try to link up their abundant knowledge with economic returns, and attempt to apply moral and social principles to activities of daily life and routine production. Professor Li Yongfeng of the East China Chemical Institute produced results through eight years of scientific and technological research, and then established a company, turning the result into an orally taken liquid, of which over 35,000 bottles are now sold daily. Associate Professor Lin Zhenhan succeeded in producing zirconium dioxide

through over 10 years of hard work, and established the Shanghai Gongda New Materials Plant, with an annual value of output amounting to over 1 million yuan. The Fulande Economic Consulting Company, founded by Jiang Xuemo and other authors of the *Shehui Zhuyi Zhengzhi Jingjixue [Socialist Political Economy]*, endeavors to exploit these authors' expertise, developed over several decades, on economic theoretical research, by providing enterprises with advice.

In this sense, intellectuals' going into business has expedited the transformation of results of scientific and technological research into productive forces. The institutions of higher education and scientific research institutions on the mainland produce hundreds of thousands of items of scientific and technological progress, but over 90 percent of these items are shelved. Thus, even more professors', scholars', and researchers' going into business will, at least in the short run, greatly promote the commercialization of results of scientific and technological research.

When Intellectuals Engage in Business Activities, They Value "Aspirations"

Just take the example of Associate Professor Chang Jinjiang who was mentioned in Mr. Cheng Ming's article published in the preceding edition of your magazine. Recently he established the Haitai Economic and Trade Company, and became the company's general manager. He used the first sum of money that he made after going into business to fulfill an unfulfilled wish of the late veteran writer Ha Hua who had been the founder of the magazine *MENGYA*: Publishing his 300,000-character autobiographical novel that he had not had the money to get published. Chang also established a "Culture Foundation," providing support for literature, drama, and the motion picture industry which are now in difficult situations, and helping publish some high-quality academic works which cannot get published because few understand them. Recently, Mr. Chang organized a "Culture Saloon," providing those who are academically rich but financially poor with a place where they can rest themselves, have entertainment, discuss issues in their own fields, and comment on world affairs. In his words, when intellectuals engage in business activities, they value "aspirations."

Times are changing rapidly, and ideas are changing daily. Only by seizing the opportunity, facing up to the challenges, conducting continued self-renovation, and shaking off the confines imposed by psychological complexes, will it be possible to acquire a stable position in the illusion-like environment and play a role in society.

Beijing University Students Engage in Business

93CM0457B Hong Kong TANG TAI [CONTEMPORARY]
in Chinese No 29, 15 Aug 93 pp 92-93

[Article by Wen Si: "Beijing University Under the Market's Attack"]

[Text] After the 14th CPC Congress, with the bringing down of the southern wall as the turning point, the

"underground economy" at Beijing University has come into the open; the word "active" can no longer adequately describe the students.

Beijing University was once the pride of the Chinese people, and a "sacred place" attracting hundreds of millions of young people; it has always been known as the "Garden of Eden" and the "highest institution of learning." During the June 4th period, Beijing University reclaimed and further enlarged the historic role it played 70 years before (during the May 4th Movement in 1919), thereby arousing worldwide attention. Today, what are the tens of thousands of students thinking about and doing?

Storms

After the June 4th Incident, as scores were being settled, there was an atmosphere of ruthless repression. After the "closing of the gate," Beijing University was enveloped by a net. People felt suffocated, and would not talk to each other when they were together. A huge amount of profound energy had nowhere to get released. Were they doomed to suffer suffocation?

Just at that time, a ground-shaking event happened: that is, Deng Xiaoping's southern inspection. The "remarks" gave the numb body a shot of cardiac stimulant. As a result, Beijing University, which had been silent for over two years, slowly regained its vigor. Scholars are quietly carrying a few "sideline" books in their bags, and students have already completely forgotten the notice, "Students are strictly prohibited from engaging in business activities on campus." Even the school administration, which is full of leftists, is also beginning to make preliminary plans on establishing economic entities. Their moves are very cautious, though. The bolder people have simply resigned, and found other jobs.

Making Secret Advancement

In fact, before the hubbub of discussion began, some students and young teachers had already entered the business sphere and had started to engage in business activities. First- and second-year students, who had more homework to do, would exploit any spare time, giving full play to the role of weekends. Third- and fourth-year students, who had less homework to do, would sell Pierre Cardin fashions, swimming glasses, and sunglasses at the Xidan Market; some would sell popular books published by publishing houses outside Beijing. There have been flea markets, graduation auctions, and "life-and-death recording studios." Those having little money have found other ways to engage in no-cost business activities, serving as brokers of trading in goods in short supply. Masters and doctors are different from undergraduate students, and do not engage in such business as selling sunflower seeds or yogurt. They are engaged in real "enterprising activities"; they establish such businesses as vertical and horizontal consulting firms, politics and economics companies, and computer companies, by exploiting their strengths based on their ties with people

of various sectors of society, and their knowledge. Those who are unable to set up companies run educational programs, such as short-term accounting training courses and crash foreign-language courses. Some people just try to write best sellers, compile all-purpose dictionaries, make exquisite desk calendars, or engage in technological transfers. Teachers have to set an example for students, and therefore cannot be too ostentatious for now.

Competition Among a Hundred Boats

After the 14th CPC Congress, with the bringing down of the southern wall as the turning point, the "underground economy" at Beijing University has come into the open. The word "active" can no longer adequately describe the students. Often, one can see that after hearing the sound of a beeper, a person will sneak out of the classroom through the back door and look for a telephone in order to discuss business.

Compared with other campuses, Beijing University is now the most prominently featured, with innumerable colorful advertisements in the triangle area and at the south gate, dazzling newcomers. "Wanted notices," "services," "literary and art audio and video tapes" stand side by side. Such advertisements as "for fresh flowers, call 451088," "public relations misses are wanted; high pay," "the most internationally controversial film, 'Basic Instinct,'" and "Falling in Love" are especially eye-catching. As a result, there is a large crowd in front of the small bulletin board. The teachers have also been stirred up. Young teachers in particular each display their unique talent, taking a second job, conducting trade through travelling around, or serving as agents. Who would be satisfied with making only 220 yuan! The business of university-run enterprises is brisk and growing, with the number of such enterprises now nearly 40. Among outstanding ones are the Beida Weiming Bioengineering Company of the Biology Department,

the Acoustics Technology Transfer Company of the Radio Department, and the Beida Qiming Information and Consulting Company. The Fangzheng Group of Beijing University is a first-class organization, and has become the only "five-star" enterprise at Zhongguancun [the area around Beijing University]. It has produced a series of products ranging from computer cards for Chinese language to automated systems for office work and composition, high-grade printing devices, precision laser photo-composition devices, and color laser photo-composition devices, thus becoming an all-round star in the field of Chinese composition and enjoying a good reputation in Hong Kong, Taiwan, and Southeast Asia.

Good or Bad?

Undoubtedly, Beijing University's entry into the market has accelerated the process of integrating science, technology, and production, and shortened the process of turning science and technology into productive forces. Students are making use of what they have learned, and the campus has been revitalized. Democracy and science have acquired "material" bases and young intellectuals have enhanced their self-awareness. Nevertheless, the other side of the issue is that Beijing University is different from Qinghua University and other universities, and has its own direction. To put the issue in one sentence: Beijing University represents the level of China's basic science. If, as other schools do, it also moves in accordance with the movement of the market and revises the disciplinary composition accordingly, will science decline in the end? The question of how to ensure enrollment in such fields as philosophy, history, language and literature, fields which do not produce economic value directly, has been raised several times as a serious issue.

As the market's attack has led to psychological imbalances, are people at Beijing University planning to conduct adjustments? Can such adjustments be conducted? We will wait and see.

Structure, Performance of 122 MM Missile Artillery
93CM0420A Beijing BINGQI ZHISHI [ORDNANCE
KNOWLEDGE] in Chinese No 4, 15 Jul 93 p 2

[Article by Zhang Fengxu (1728 7685 6079) and Zhao Youli (6392 2589 0338): "China-Produced 40 Tube 122 MM Shipboard Rocket Artillery"]

[Text] Rocket artillery is characterized by long range, fierce firepower, and great might that is able to suppress and destroy enemy targets over a wide area. The Gulf War fully demonstrated rocket artillery to be a highly effective suppression weapon. Its area of use has expanded from the land to the ocean and the air. Many nations have researched, developed, and equipped ships with rocket artillery.

The 122 mm shipboard rocket artillery system that China has researched and developed has been designed to operate normally on small 250 to 500 ton class vessels in a class 4 sea. This rocket artillery takes into full account the character of the vessel and its use requirements. When a model 81 122 mm rocket artillery launching rack is connected to the cradle, the center of gravity of the cradle touches the trunion pin, thereby decreasing the moment of imbalance. After the artillery cancels the equilibrator, not only is the mechanism reduced, but servo system loss declines.

The 122 mm shipboard rocket artillery is made up of a launching rack, a cradle, an elevating assembly, a rotating assembly, a base, and a stabilizing system.

The launching rack is a stock item that is attached to the cradle and carries a cluster of 40 seamless steel tubes. Atop each launching rack tube is a projectile shield and a launch mechanism that is used to point the rocket projectiles in the correct launch direction.

The cradle is a suspended basket-style, box-shaped structure fashioned from a welded steel plate atop which is positioned the launching rack, and underneath which an

elevation cam gear is mounted. This gear meshes with the gear atop the rotating assembly. The cradle is connected via the trunion pin and the rotating assembly to position the rocket artillery at the correct launch angle.

The elevating assembly and the rotating assembly are connected by a yoke and the base. They are actuated by an electrohydraulic servo system. Their main functions are to set the elevation and the tracking angle. An elevation and tracking reduction gear, and a stabilization system may be installed on the rotating assembly.

The elevation assembly consists primarily of a stable platform, an analog computer, a data setter [5944 1353 0892], and power supply. This assembly gives the rocket artillery a stable launch line in order to maintain launch accuracy when the vessel is pitching and rolling.

The way the stabilizing system work is to have the sensor on the stable platform plot the vessel pitch and roll signals, input them into a computer, superimpose them on the set launch data, and make the coordinate conversions. Then, this information is put into the elevation and tracking electrohydraulic servo system to operate the artillery. Thus, the location of the target is maintained relatively stable despite the pitching and rolling surface. Ensuring that this system functions requires that the stabilizing system reacts with sufficient speed. Therefore, a high power electrohydraulic servo system is used so that the rocket artillery can accurately revise the launch data in the time interval (0.5 seconds) during continuous firing. Since the stabilizing system is fairly complex, and the components are fairly numerous, the power source provides both alternating and direct current.

The projectiles that the missile artillery uses are the same as those used for the Model 81 122 mm missile artillery. They include high explosive fragmentation rocket projectiles, high explosive incendiary rocket projectiles, and steel pellet projectiles. The projectiles may be fitted as necessary with mechanical detonators, electronic time detonators, and radio proximity explosion detonators.

Main Tactical and Technical Features of the 122 MM Shipboard Missile Artillery

Caliber	122 mm
Number of Launch Tubes	40
Total Weight	5,000 kgs
Maximum Range	20 kms
With Long-Range Projectiles	30 kms
Vertical Field of Fire	0 - 60 degrees
Traverse Rate	approximately 120 degrees each
Launch Speed	40 projectiles/ 18 - 20 seconds
Maximum Vertical Tracking Speed	16 degrees/second
Maximum Traversing Tracking Speed	16 degrees/second
Coordinated Recovery Time During Firing	0.4 seconds or less

Political Effect of PRC White Paper on Taiwan

94CM0012B Taipei HSIN HSIN WEN [THE JOURNALIST] in Chinese No 399, 11 Sep 93 p 7

[Article by Szu-ma Wen-wu (0674 7456 2429 2976): "Such Concern for Compatriots Is Really Frightening"]

[Excerpt] While the white paper issued by the PRC on its Taiwan policy is voluminous, it is absolutely without any new substance. So who would have the patience to read it through? Even if one did, there would be no gain. What is interesting is that all of the newspapers wasted so much space publishing the full text, as well as reporting various reactions to it in two or three full pages.

While these reactions seemed like an avalanche of falling sand and rock, alarming in proportion and great in strength, they in fact were familiar and clearly known, with certainly no fresh views. But even so, they may still have certain effects on Taiwanese politics.

1. They will imperceptibly strengthen the consensus in Taiwan about PRC policy. The reactions of the KMT and the DPP were just about the same, bearing out the longstanding bipartisan consensus in Taiwan on this matter. In fact, as to DPP reaction, KMT and other figures from all walks of life had already almost spoken for them.

2. While the aim of the PRC in issuing this white paper was to promote its Taiwan policy internationally, it has also resulted in turning the Taiwan matter into an international topic, by putting it into the international arena, thus giving Taiwan more opportunity to make a more favorable international defense of Taiwan's representation. Moreover, the white paper's arguments are weak and full of flaws, putting Taiwan in a more favorable offensive position, and leaving the PRC simply on the defensive.

3. The PRC's presentation of the historical origins across the Taiwan Strait is identical to the KMT's traditional one, being simply a copy. The DPP is likely to make great use of this in the elections at the end of the year.

Taiwan's active participation in international society has won the consensus of all of our people, and we are signing navigation agreements with various countries, joining international organizations, buying aircraft and missiles, and living up to our international obligations. While this is the proper authority of a sovereign nation, the PRC is stubbornly trying to blot out the fact of Taiwan's nationhood, attempting to relegate Taiwan to the status of a local government. Except for arousing an even greater repugnance among the people of Taiwan, what else does such a policy stand to gain? [Passage omitted]

Views on Li Teng-hui's Future After 14th Congress

93CM0492A Taipei HSIN HSIN WEN [THE JOURNALIST] in Chinese No 337, 28 Aug 93 pp 64-65

[Article by Nan Fang-su: "Fond Dream of 'Li Teng-hui Era' Crumbles"]

[Excerpts] After the conclusion of Kuomintang's 14th National Congress, there are two different views in appraising Li Teng-hui. Those who arrive at the first view believe that Li Teng-hui has been defeated disastrously.

Because, the 14th National Congress was convened under the situation whereas the "leading faction" has fully controlled the party and state machinery. Prior to its convocation, the faction in power used one thousand and one ways to control the whole situation by putting off the 14th National Congress by one year and adding 760 ex officio party delegates to strengthen its own contingent of voters. All this was aimed at using the 14th National Congress to create a genuine "Li Teng-hui Era" and letting other challengers within the party to "step aside." The "Li Teng-hui Era" does not allow the existence of any party vice chairman. Nevertheless, something the "leading faction" did not expect happened. At the 14th National Congress which it had worked hard to run, it nearly lost control of the overall situation at the crucial moment. The motion of appointing no vice chairmen was only supported by 641 of 1,648 delegates. The number of delegates who advocated the appointment of vice chairmen reached 1,007. These 1,000-odd votes had shattered Li Teng-hui's fond dream of reaching the pinnacle of power alone. If he ignores the voice of these votes and the 60 to 70 percent of these voters who cast invalid votes, he may only win his chairmanship by less than 70 percent of the votes. A party chairman who wins less than 80 percent of the votes would almost mean that Li Teng-hui's political life is beginning to come to an end. In face of the support from more than 1,000 voters for the vice chairmanship, Li Teng-hui had tasted the bitter gourd of his failure for the first time in more than five years.

Nevertheless those who arrive at the second view believe that Li Teng-hui had won, although it was a somewhat awkward victory.

All personages in power are good at making compromise and clinging to their opinions in the course of making such compromise. Thus, in face of the pressure from over 1,000 voters, Li Teng-hui had to make compromise. As a result, he nominated four vice chairmen at one fell swoop—his deputies Li Yuan-zu and Lien Chan as well as Hao Po-tsun and Lin Yang-kang whom he failed to push aside. There are two vice chairmen on each side. Due to the fact that these four vice chairmen were created from the pressure of some 1,000-odd votes, they cannot be regarded as "reserves who do not play an active role." Thus, the Kuomintang system has become something similar to the Chinese Communist "Standing

Committee of the Political Bureau of the CPC Central Committee which consists five members." The Kuomintang has now created a situation of collective leadership of "one big and four small." Under this situation, Li Teng-hui still occupies a predominant position of "one big and two small" against "two small." As compared with former arrangements such as "one big and one small" (Li Teng-hui and Hao Po-tsun), "one big and two small" (Li Teng-hui, Hao Po-tsun and Lin Yang-kang) and "one big and three small" (Li Teng-hui, Li Yuan-zu, Hao Po-tsun and Lin Yang-kang), this "one big and four small" arrangement remain most favorable to Li Teng-hui and save him on the verge of suffering a defeat. Only by making this kind of compromise, can he win more than 80 percent of the votes in the chairmanship election and ensure his rule in the party.

Therefore, in terms of power, Li Teng-hui suffered a bitter defeat at the 14th National Congress. In the Kuomintang just like in the whole society in Taiwan, gone are the days when any individual or faction can monopolize everything. If the Kuomintang can really come to its sense and develop a democratic system of "sharing out power and work in exercising government functions," avoid acting wilfully in the formulation of party and government policies, and make more rational policy decisions, the 1,000-odd votes, which burst out from the 14th National Congress as if it was from a boisterous food market, are meaningful. We can even say that these 1,007 votes demanding the creation of vice chairmanship and refusing to dance at the baton of the "leading faction" are the only meaningful thing at the 14th National Congress. These votes refused to create a "Li Teng-hui Era." When a society suffers enough from the "Chiang Kai-shek Era", the "Chiang Ching-kuo Era" and the kind of "x x x Era," what people earnestly hope is that everything will become democratic and normal instead of another "x x x Era," because any "x x x Era" invariably represents a certain degree of monopoly, power abuse and reckless actions. What people need are "freedom," "democracy" and "rationality" which objectively exist without any individual's name attached.

Perhaps, this is precisely the kind of meaning that the 14th National Congress embodies. It means that the concept of the "Li Teng-hui Era" is problematic and infeasible, even if all the Kuomintang delegates do not accept the idea of letting any individual holding the superior power alone. The 14th National Congress balked at the advent of the "Li Teng-hui Era." Even the 14th National Congress which Li Teng-hui had worked so hard to build failed to create a "Li Teng-hui Era." From this, we can see that perhaps any "x x x Era" is truly destined to disappear from Taiwan's map and history.

As a matter of fact, a chaotic situation had prevailed for as long as five years from the 13th National Congress to the 14th National Congress. It is until today that we clearly see its path, and sigh for the course it took. For more than five years, many people have wilfully tried to create a "Li Teng-hui Era," while other conservative

people who often think of the future tried to resist this kind of trend. This is the Kuomintang's main line of development for the past five years. Power struggles have made all those in the battlefield go to their extremes. All the energy within the Kuomintang has been spent in this battlefield. The Kuomintang is, in fact, not any specific party. It is neither a "revolutionary party nor a democratic party." It is neither rigid nor flexible. It is a typical "political party in which all its energy is spent by itself." All its energy has been spent to intensify its internal conflict instead of being used to generate electricity or light outside. Since all its energy has been spent by itself, people, during the past five years, were able to see the following symptoms:

- Standards within the Kuomintang to distinguish right from wrong and even the standards in hiring people are lowered. All objective standards have been replaced by feudal principles such as "loyalty" because of struggles. As long as they are "loyal," even rotten people may become dignitaries. As long as they support the leader, they will be lauded. Struggles have made the whole Kuomintang rotten, and has lowered its qualities.

[passage omitted]

- Fierce struggles have made the Kuomintang use primitive ways in running the party and the government. Crude language is being used repeatedly, and brutal power changed to stark-naked money power. The ultimate result of the struggle is "self-legalization." The repeated failures of the Kuomintang elections are the outcome of this type of "self-legalization."

It is true that Power struggles which lasted for five years between the "13th National Congress" and the "14th National Congress" drove out a "New Party," yet the "Li Teng-hui Era" is, after all, proven to be unrealistic, and the mode of collective leadership in the form of "one big and four small" had finally emerged. If this kind of form was put forward by Li Teng-hui himself at the 13th National Congress and the pattern of democratic consultation in "carrying out collective consultation and cooperation to perform government functions" is established earlier, how could the Kuomintang be embroiled in turmoil for five years? If we look at things from this point of view, aren't Kuomintang's defenses and offenses aimed at creating a "Li Teng-hui Era" a senseless practice to waste its own energy? Is it worthwhile for the Kuomintang to pay such a high price in the past five years and end up with its image tarnished, its political power weakened and its whole party all split up? During the five years from the 13th National Congress to the 14th National Congress, the Kuomintang moved around in a circle. Only after suffering irreparable injuries, it returned to the old path of "carrying out collective consultation and cooperation to perform government functions"—a path which it should have taken in the first place. While invalidating the "Li Teng-hui Era", the

14th National Congress actually provides the Kuomintang with a new path. After that it all depends how the "one big and four small" sincerely cooperate with each other.

There are two possibilities:

1) Due to their setbacks in political power, they will continue to attack each other, and power struggles will continue as in the past. The split within the Kuomintang will become wider and painful for a long time. If this is true, there will be no chance for the Kuomintang to rebuild itself into a democratic party again.

2) Learning a lesson from the 14th National Congress, the "one big and four small" sincerely cooperate with one another, find a new way in making policy decisions, recoup the losses from the power struggles in the past five years, and help those incompetent people who fortunately got into the party during the power struggles to improve themselves. They would respect and understand one another, and create a new atmosphere in rebuilding the Kuomintang. If this is true, the 1,007 votes in the 14th National Congress would become the most meaningful votes since the founding of the Kuomintang a hundred years ago. [passage omitted]

Leaders Li Teng-hui, Lin Yang-kang Contrasted

93CM0410A Taipei HSIN HSIN WEN [THE JOURNALIST] in Chinese No 332, 24 Jul 93 pp 22-24

[Article by Huang Kuang-chin (7806 0342 5367): "A Comparison of Lin Yang-kang and Li Teng-hui and Their Influence on Each Other"]

[Excerpts] Lin Yang-kang once told his friends in media circles a secret—he had wanted to be president since he was 30 years old. If this wish which has germinated since his coming of age is still vivid in his mind, then on 13 July he will have a chance to courageously and clearly reveal what has been hidden in his heart for some 40 years. [passages omitted]

Lin Yang-kang knows very well that whether we are talking about the political battle 3 years ago or the "New Coalition" that nominated him in mid-July to run for the presidency, the non-ruling factions are using his "Taiwanese popular will" to topple Li Teng-hui. The first time, he neither accepted nor turned them down, neither wanted nor rejected the deal, and eventually he retreated in the face of difficulties. This time, because Li Teng-hui has announced that he would not run for re-election, he will not be confronting Li head-on. That is why he is not running for party chairman but is aiming for the presidency.

Lin Yang-kang and Li Teng-hui have completely different personalities, but in terms of experience and background, they are quite similar. Yet if we analyze them at a deeper level, we will find that there are major differences between the two.

Lin Yang-kang came from the grass-roots. He knows how to deal with the traditional forces. He knows that some conservative forces are using him, but he is hoping to follow a course of moderation to dissolve the doubts these groups have about the unification versus independence issue, which may help to bring the provinces together. However, these groups are also his political burden. How well he handles this burden will be a major test of his political wisdom.

Lin Yang-kang is ideologically more conservative. He is a traditional political figure. In this respect he is different from Li Teng-hui who put on the "reform party" label immediately after he took office. Li Teng-hui rectified the structure of the traditional forces as soon as he took office. Even if his methods were crude, which brought widespread repercussions, he was not deterred. Lin Yang-kang, on the other hand, still has many old burdens that he has not cast off. That is why some people say that if it took Li Teng-hui more than five years to accomplish what he has accomplished, it might take Lin Yang-kang seven or eight years to show results.

Of course because Lin Yang-Kang currently is not the head of state, it may be premature for him to talk about his reform programs. But he certainly has no less charisma than Li Teng-hui, and if he makes use of his charisma and keeps his finger on the public opinion pulse, and if he emphasizes strategy and skill, it is possible that his reform programs will turn out to be quite successful.

With regard to personnel assignment, Lin Yang-kang has never made any controversial appointments, and adding his concern for personal relationships, there may not be any great breakthrough in his style of choosing people for different jobs. But in terms of knowing exactly who is good at what, he obviously is more talented than Li Teng-hui. Li has appointed few people with real talents, and this may be the biggest weakness in his leadership ability.

Lin Yang-kang studied the classics. He often cites Lao Zi, the Taoists, and the classics; he is humorous and very refreshing. Li Teng-hui on the other hand studied science; he is full of concepts and lectures like a professor. Lin Yang-kang expresses himself well and is very eloquent. In this respect, Li Teng-hui simply cannot measure up.

What most people criticize Lin Yang-kang for is his lack of an international outlook. Li Teng-hui is far superior in this regard. But as a political leader, this is not necessarily fatal.

Lin Yang-kang is weak when his opponent is weak and strong when he meets his match. When he was under fire during intense questioning by people outside the party, he performed exceptionally well. This was also the reason why Chiang Ching-kuo put him in Chonghsin Hsintsun [site of the Taiwan provincial government] from 1978 to 1981 to meet the challenges of heavy batters like Chang Chun-hong [1728 0193 1347]. Lin

I-hsiung [2651 5030 7160], and Chiu Lien-hui [6726 6647 6540] from outside the party. He often "guards the pass single-handedly" in the halls of the National Assembly; he loves the challenge and enjoys a debate. When Li Teng-hui is dressed down by members of the National Assembly, he often gets so angry that he is at a loss for words.

When it comes to political trickery, Lin Yang-kang is like an "old fox"; even Li Teng-hui is not his match. Li Teng-hui is the kind who would react immediately to any kind of provocation; he is focused and purposeful, but he is not always resourceful, and when he makes a move, it often makes an irritating noise—like cutting glass with a newly-sharpened blade. Lin Yang-kang on the other hand is good at laying out plans; everything is very well thought-out; he always tries to make things nice and easy.

Li Teng-hui and Lin Yang-kang have always had a tense, strained relationship. Li is constantly on guard against Lin, and the two seem to have no personal contact, but they have many mutual friends, and there are many channels through which they can relay words and communicate with each other. But often, for political figures, many things are beyond their control. People in both camps may privately say things to hurt each other, and year-in and year-out, the gap between them begins to widen. This type of "Chou Yu-Chuko Liang relationship"—life-long rivalry—is inevitable in the political arena.

Twice Lin Yang-kang has been nominated passively to run for the presidency. Judging by his personality, when the news sensation blows over, he will slow down, make his plans, and then make his move. That is why he is stretching out his battle-line—he will make his final decision according to public opinion two years from now. What he is thinking right now is: First, how to do battle in the 14th Plenary Session. He must win this first battle to plant a firm foothold, and this battle can still be treacherous. After that, he must consider how to win majority support in public. He has substantial initiative in controlling the overall situation, and in this regard he is in a much better position than Li Teng-hui who is facing questionable outcomes in the year-end county and city elections and the battle to defend his administration at the 14th Plenary Session.

Lin Yang-kang started out earlier than Li Teng-hui, and there are more human resources at his disposal. Today, although many are cozying up to Li Teng-hui who is in power, once Lin Yang-kang gathers momentum and sends out the word, it should surprise no one that many will respond to his call. Some people may find it difficult to choose between Lin and Li, but if Li voluntarily or involuntarily gives up his re-election bid, Lin will become the only choice.

Li Teng-hui and Lin Yang-kang are the two most widely-accepted native Taiwanese talents in the last 40 years. If they are openly at odds with each other, this may have a

divisive effect on Taiwan's political situation; but if they cooperate with each other, or at least agree to disagree, to some extent, it would stabilize the internal situation. In the last political contest, because Lin Yang-kang was backed by factions that were not part of the mainstream, he was branded a "traitor." This caused serious damage to Lin Yang-kang. If there is trouble between the two, the political situation will be in jeopardy.

The fact is, other than their differences in personality and conflicts of interest, Lin Yang-kang is absolutely more in tune with Li Teng-hui on most matters than with the non-mainstream factions. As for the non-mainstream factions, there used to be a lot of deep grievances among them and they normally would have little to do with one another, but their united stand against Li Teng-hui has brought them together for the time being. As for their support of Lin Yang-kang, it will last only until Li Teng-hui is toppled; they do not really trust Lin.

The political grievances among Hau Pei-tsun, Liang Su-jung [2733 5126 2051], Li Huan, Chiang Wei-kuo, and Shen Chang-huan [3088 2490 3562] have lasted several decades. For example, the long-time conflict between the CC Faction and the Huangpu Clan, the disagreement between the Guandi [Officialdom] faction and the Dangwu [Party Affairs] system, the conflict between the Zhenggong [Government Workers] and the Danggong [Party Workers]—these family disputes within the KMT had been the center of political storms before there was a political climate on the outside, but now that they have a common enemy, they are willing to forgive and forget, although the basis of their cooperation is very weak.

But even though they may not trust Lin Yang-kang entirely, to them Mr. Lin is the only choice, because Lin is the only person who can replace Li Teng-hui; this is dictated by circumstances. On the other hand, Lin Yang-kang is not in full control of his own destiny, and in today's situation, he cannot seize the initiative; he can only passively go with the flow. He knows very well that he is being promoted by the non-mainstream factions, which can have a very adverse effect on his future, but at least he can pacify them for the time being so that they feel that there will still be room for maneuvering in the future and that psychologically they will not feel that they have hit a dead-end. Will he fall into their trap and become their hostage? Or will he escape from their entanglement and win the mainstream society's support? This will be the key to his success or failure.

But Li Teng-hui's attitude toward Lin Yang-kang is very important too. If Li keeps his word about not running for re-election or arranging for a successor, things will be simpler for Lin. But if Li has any objection and the two sides get into minor scuffles again, another round of political struggle and division is possible. Then there is also the covetous DPP waiting on the sideline. [passages omitted]

Evergreen's Investments in Domestic Politics

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[Article by Ch'iu Ming-hui (6726 6900 6540): "Chang Jung-fa's Political Donations Are Divided Into a Number of Grades—The Evergreen Company's Political Investments in Taiwan"]

[Excerpt] Evergreen's investment in the Legislative Yuan or among civic representatives far exceeds the imagination of foreigners. While several legislative candidates supported by Evergreen, such as Lin Ping-k'un [2651 3521 0981], Lin Yu-hsiang [2651 6877 4382], and Hsu Hung-chin [1776 7703 6651] lost in the 1992 elections, it is understood that no less than 20 or 30 current legislators in both parties received help from Evergreen.

Legislator Hung Tung-kuei [3163 0392 2710] openly acknowledges having received help from Evergreen. Due to her close Penghu Prefecture connections, she was able to use a current legislator as a go-between in the national representative elections to receive a \$1 million (NT) donation from Evergreen, and in her election to the legislature in 1989, Evergreen also helped pay her campaign ad expenses. Prior to being knocked out of the mainstream, Legislator Ch'en Kuei-miao [7115 4097 8693] also received help from Evergreen.

While former Minister of Communications Chien Yu-hsin and former legislator Lin Yu-hsiang have both publicly acknowledged accepting "minor contributions" from Evergreen, they both emphasize that they did not receive "major contributions." The friendly connections of former DPP chairman and current legislator Huang Hsin-chieh with Evergreen Group owner Chang Jung-fa also enabled Evergreen to bail out the DPP's empty coffers a year or two ago through the intermediary Ch'en Ch'ung-kuang [7115 6850 0342].

While rumor has it that an even longer list of legislators have had dealings with Evergreen, such as Shen Chih-hui [3088 2535 1979], Ch'en Che-nan [7115 0772 3948], Yu Jih-cheng [3266 2480 2973], Liu Kuo-chao [0491 0948 2507], Wang Kuo-ch'ing 3769 0948 3237], Lu Hsin-min

[0712 2450 3046], Huang Chu-wen [7806 0031 2429], Lin Ts'ung-ming [2651 5115 2494], Lin Kuang-hua [2651 0342 5478], Ch'en Shui-pien [7115 3055 2078], Hsieh Ch'ang-t'ing [6200 7022 1694], Chou Po-lun [0719 0130 0243], Li Chin-yung [2621 6651 0516], Yu Cheng-hsien [0151 2398 2009], Chang Chun-hung [1728 0193 1347], and P'eng Pai-hsien [1756 4102 7359], these rumors are all hard to prove.

It is understood that the dealings between Evergreen and political figures are mostly carried out by Cheng Shen-ch'ih [6774 3234 3069], Zhang Jung-fa's son-in-law and Evergreen's vice chairman of the board, with donations generally being divided into several grades, such as over 5 million, 2-3 million, 1 million, and 300,000-500,000. All candidates receiving over 5 million have long-standing contacts, and those receiving 2-3 million ordinarily are friends of Cheng Shen-ch'ih. While candidates receiving 1 million may certainly not have been long-standing friends, they are bright and in need of being elected, with those who are unfamiliar and less bright likely to receive 300,000-500,000.

To avoid problems, Chang Jung-fa usually goes abroad during elections. During the 1992 Penghu legislative elections, Ch'en Ch'ung-kuang, Ch'en Chiang-chang, and Chang Jung-fa were all signed up as Penghu guests to help out Lin Ping-k'un. But while Chang Jung-fa originally wanted to go in person, a senior military figure later suggested that as Chang Jung-fa's relations with Li Teng-hui were too close, his attendance might touch off a debate. So Chang Jung-fa finally gave up on going, claiming that he could not because he was out of the country. But it is understood that Chang Jung-fa was in Taiwan at the time.

Evergreen-supported candidates are mostly in the mainstream faction or the DPP, with those not in legislative districts not included, and Evergreen generally does not decide its support until after nominations are announced. In addition, while Evergreen has a foundation specially set up to handle emergency requests for assistance, there are certainly few who know of the use of these such funds. In response to voters' requests for support and assistance, some legislators apply to Chang Jung-fa's foundation, then take the credit for themselves, often leaving the foundation feeling quite helpless. [Passage omitted]

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